Accumulation by Dispossession and the Transformation of Property Relations in Egypt: Housing Policy under Neoliberalism

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Dissertation Abstract

This dissertation examines the ways in which workers and peasants access to housing has been shaped under different political regimes over the past two centuries (1805-2011). Up until 1952, Egypt did not have an official housing policy leaving housing needs to be met locally. The rapid rise in population by mid twentieth century and the rural-urban migration during World War II and after resulted in a rising demand for affordable housing. Under Nasser's regime, workers and peasants experienced the first national housing policy and progressive pro-tenant laws. Under Anwar Sadat's regime, as the private sector's role in housing production increased, access to affordable housing in urban centres became limited leading to the expansion of informal housing, a phenomenon that continued to become a permanent feature of Egypt's urban spaces. In the post 1990s, after the liberalization of the Egyptian economy, the state began dismantling rent control laws and promoting a private sector-led rental housing market supported by private mortgages. The liberalization of land and housing markets through the adoption of Law 96/1992 and Law 4/1996 dismantled tenancy rights and shifted the balance of power in favour of landlords and property developers. These developments expanded the crisis of housing to rural areas as over a million peasants and farmers were forcefully evicted from their houses. Evidence presented here suggests that neoliberal policies in land and housing facilitated capital accumulation through policies of dispossession. The privatization of state enterprises and the agricultural sector resulted in the transfer of land and resources to the private sector. Over the course of two decades of neoliberal policies, property developers and agribusiness experienced a boom as the Egyptian economy became closely integrated with the global economy. Workers and peasants, however, had a fundamentally different experience as unemployment levels continued to rise and an increasing numbers of Egyptians fell into poverty. The crisis of housing that intensified in the 1990s and after reflected a deeper restructuring of power relations and resource redistribution away from workers and peasants and to landlords and developers. The strategy of accumulation by dispossession, however, undermined the fragile legitimacy that the Mubarak regime had experienced leading to the end of his regime in 2011.

To Geoff Kennedy for all the love, laughter, stimulating conversations and exciting adventures

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When I began my doctoral studies, I decided to study Egypt because of its significant role in the politics of the Middle East. Just as Arab Socialism and Nasserism left a deep impact on Arab countries, recent revolutionary events have once again brought Egypt to the centre stage of regional and international politics. The resilience of Egyptian peasants, workers and students in their struggles for a fairer and democratic society will continue to inspire future generations not only in the MENA region but also around the world.

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Contents

Acronyms

ACA – The Agricultural Cooperatives Associations
AmCham – American Chamber of Commerce
ARA –The Agrarian Reform Authority
ARDEV – Agency for the Reconstruction and Development of the Egyptian Village
ASU –The Arab Socialist Union
CAPMAS – Central Agency for Population Mobilization and Statistics
CBE – Central Bank of Egypt
CTUWS – The Centre for Trade Union and Workers' Services
EBA – Egyptian Businessmen's Association
EBHRC – Economic and Business History Research Centre
ECES – Egyptian Centre for Economic Studies
ECESR – Egyptian Centre for Economic and Social Rights
ECHR – Egyptian Centre for Housing Rights
EFITU– The Egyptian Federation of Independent Trade Unions
EFTU– The Egyptian Federation of the Trade Unions
EJBA – Egyptian Junior Business Association
EMP – The Euro-Mediterranean Partnership
ENCC – Egyptian National Competitiveness Council
ERSAP – Economic Reform and Structural Adjustment Program
FDI – Foreign Direct Investment
Feddan – measurement for unit of land, 1 feddan=1.038 acres (0.42 hectare)
FGF – Future Generation Foundation
GABHC – The General Authority for Building and Housing Cooperation
GAFI – The General Authority for Investment and Free Zones
GAID – The General Authority for Industrial Development
GATT- The General Agreement on Tariffs and Trade
GARPAD – The General Authority for Reconstruction Projects and Agricultural Development
GCR –The Greater Cairo Region
GOE – Government of Egypt
HCLF – The Higher Committee for the Liquidation of Feudalism
IMMC – Islamic Money Management Companies
IMF-International Monetary Fund
LCHR – Land Centre for Human Rights
LE – Egyptian Pound, US$1 = LE 6.08 (2012)
MALR – Ministry of Agriculture and Land Reclamation
MENA – Middle East and North Africa
MFL – The Mortgage Finance Law
MGP – The Mubarak Graduate Project
MOE– Ministry of Endowments
MOMDP – Ministry of Defense and Military Production
NBE – National Bank of Egypt
NBA – National Business Agenda

NDP –The National Democratic Party
NHP –The National Housing Policy
NUCA – New Urban Communities Authority
PBDAC – Principal Bank for Development and Agricultural Credit
PHD –Palm Hills Development
PPP – Public Private Partnership
SFD – Social Fund for Development
SODIC – The Sixth of October Development and Investment Company
TDA –Tourism Development Authority
TMG – Talat Mustafa Group
TRIPS – Trade-Related Aspects of Intellectual Property Rights
USAID – The United States' Agency for International Development
WB – The World Bank
WEF – World Economic Forum
WTO –World Trade Organization

Part I. Capitalism and Development in the Middle East

Chapter 1. Introduction

Why Egypt? Egypt has been an important country playing a significant regional role at least since the revolution of 1952. Whether through the spread of ideals of Arab Socialism or through its role as a peace mediator in the region, scholars of the region cannot afford to ignore Egypt. For me personally, the radical social change that began as a result of economic liberalization of post 1991 was a crucial reason to take up the study of Egyptian politics. The extent of impact of economic liberalization on transforming class relations and changing the balance of social power deserve to be documented as the contemporary political history of Egypt.

Why Housing? I chose to study the changing nature of access to housing by different classes as a reflection of the changing social relations in the context of economic liberalization. The idea for studying housing occurred to me after my first visit to Egypt in December of 2005. Initially I was struck by the extent of urban slums and informal housing that shaped the landscape of Cairo. Upon further investigation, I realized that the crisis of housing was more than what appeared to the naked eye. My research and further visits to Egypt revealed the complex nature of housing problems as I came to realize the historical roots of the contemporary problems. In fact, housing problems were undergoing further transformation as I was conducting fieldwork in Egypt due to the changes in tenancy laws and rent liberalization policies. A few problems struck me during my research: that the problem of housing as it appeared (i.e. slums and informal housing) and as it constituted itself across space and time was not very clear. Equally important, the relationship between the intensification of the housing crisis and the neoliberal development policies was not immediately apparent to the observer. In other words, the challenge was then to move beyond the problem of housing as it appeared (i.e. slums) and to study it as it constituted itself across space and time. More immediately, my concern was to study the relationship between neoliberalism and the intensification of housing crisis across urban and rural areas.

Thus, I began my study of housing as an aspect of social property relations by linking the study of housing problem to the economic policies adopted in the context of neoliberalism. I also was interested to reach back historically to trace the developments in social property relations that had shaped access to housing since the emergence of the modern state in Egypt. In short, my goal was not to study urban housing and urbanization in itself, but to approach the study of the housing problem through a study of the changing nature of the state and class struggle, i.e. changing nature of power relations. The methodology for my research is discussed later on in this chapter. I will now attempt to establish the link between the apparent problem of housing and the underlying political and economic decisions of the Mubarak period.

Egyptian society experienced a fundamental transformation and social polarization since 1991when the government embarked on the path of 'free market' liberalization.[1] The polarization was apparent in the organization of social space reflected in the proliferation of luxury villas, American style cities and 'megamalls' on the one hand, and expansive slums characterized by dilapidated and make-shift housing, on the other. Indeed, over 20 million homes in Egypt are considered to be in a dilapidated condition, posing risks for the safety of the residents (Habitat for Humanity 2012). An increasing number of Egyptians cannot afford the high cost of housing – a reality that affects their ability to get married and start families. With poverty levels rising over the last decade, reaching twenty two per cent across the country, housing remains a pressing issue for many (World Bank 2010). In 2012, it was estimated that 2.5 million affordable housing units – on top of the resources needed to repair the millions of dilapidated homes across the country – were needed to solve the housing problem (Habitat for Humanity 2012).

Despite the pressing nature of the problem, government policies over the last three decades have failed to meet the need for affordable housing. In fact, the Egyptian state exacerbated the problem through the adoption of neoliberal policies that resulted in the liberalization of rents and the privatization of land.[2] The

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[1] 'Free market' under capitalism in no sense implies a free market given that neoliberals deny the politically constituted nature of capitalist markets and the differential access experienced by different classes. Equally important, capitalist markets act as mediators of class interest and thus prior power determines the degree of access that different classes enjoy in such markets. As such 'free markets' should be seen as an ideological construct that aims to mask the nature of class rule that shapes an reproduces such markets. It is for this reason that I will be using 'free market' inverted commas.

[2] The term neoliberalism refers to a set of ideas and policy practices that became dominant in the course of the 1980s after the financial crisis of the 1970s. Proponents of neoliberal policies criticized the state and public sector as playing a distortionary role in the market and instead proposed privatization of public sector firms and services, liberalization of trade and deregulation of the private sector. For a detailed discussion of neoliberalism see Harvey (2005) and Gamble (2009).

privatization of land in rural areas has pushed millions off their land and out of their homes, forcing them to migrate to urban centres like Cairo. The arrival of new migrants has placed further pressures on an already declining and dilapidated stock of housing in urban areas. Consequently, millions of workers and peasants have lost access to their housing while a future generation has no hope of adequate and affordable housing anytime soon. In this way, the Egyptian state not only failed to meet the need for housing for low income workers in urban areas, it also facilitated its expansion into rural areas and the housing crisis for peasants and rural workers. The housing crisis in Egypt is now an urban *and* rural phenomenon.

In urban areas, landlords succeeded in dismantling rent control laws and now charge competitive rents on new buildings. Older buildings covered by rent control policies implemented in the period under President Gamal Abdel Nasser (1952-70) have been allowed to deteriorate to the point of collapse in order to allow landlords to erect new buildings covered under the new liberalized rent law.[3] Every year, numerous deaths and injuries resulting from collapsing buildings are reported across the country. In rural areas, the Agrarian Reform lands of the Nasser period had extended secure tenure and subsidized non-market access to land and housing. However, the privatization of agricultural land and the abolition of land reforms delivered a double blow to over a million peasants and small farmers who lost their livelihoods as well as their housing beginning in 1997.

The 'New Village Program' of 2006-11 embodied these new forms of exploitation and surplus extraction in rural Egypt. One of many pro-investor projects, the program set up 400 new villages in the desert to house peasants who had been evicted after the liberalization of agriculture.[4] The program reclaimed 1 million feddans of desert land. The government policy clearly stated that only a small percentage of this land was to be redistributed to peasants who had worked on the land. After the completion of the reclamation project by property-less peasants, the land was repossessed by state authorities and transferred to investors for agribusiness projects.

[3] In the post- WWII period, Egyptian society witnessed radical change under the rule of three long serving presidents: Gamal Abdel Nasser (1956-1970, Arab Socialist Union Party); Anwar Sadat (1970-1981, National Democratic Party) and Hosni Mubarak (1981-2011, National Democratic Party).
[4] Egypt State Information Service, 'Agriculture', http://www.sis.gov.eg (accessed October 27, 2010).

This example demonstrates the link between the neoliberal model of development and the crisis of rural housing. Neoliberal policies significantly extended the commodification of agricultural land at the behest of large agribusiness, and the subsequent expropriation of a large portion of the rural population. As a result, rural producers not only lost access to their means of subsistence, and thus their potential for non-market forms of production, but also their non-market access to housing, resulting in their market dependence for subsistence and housing.[5]

As such, the specific character of the rural housing crisis is intrinsically linked to the process of dispossession that has accelerated since the introduction of the neoliberal reforms of 1991. The relationship between the rural and urban housing crises and the transformation of social property relations in the Egyptian economy at large, therefore, needs to be conceptualized. In essence, capitalist social property relations were being introduced through the policies of an authoritarian state, with the intention of creating not only property markets but also a housing market. The outcome of this process was the imposition of market dependence on peasants and workers as producers as well as tenants and homeowners.

State Formation[6], Property Rights and Housing

The housing policies implemented by different Egyptian regimes were significantly influenced by the economic policies that were dominant in different phases of development in Egypt. Between the 1850s and the 1920s, the Egyptian economy was oriented towards the production of cotton for export to England. This export oriented economic policy was a result of Egypt's integration into the British Empire during this period. From the 1920s to the early 1950s, a policy of import substitution industrialization (ISI hereafter) was pursued with the intent of developing an indigenous industrial economy. In the post-colonial period, the Egyptian state under Nasser adopted a planned economic model that scholars have characterized as either statism or state capitalism (Aoude 1994; Cooper 1982; Wahba 1994). Under

[5] The notion of market dependence will be discussed at length in Chapter Two.
[6] State formation is the contested historical process by which social power is institutionalized politically.

President Anwar Sadat (1970-81), Egypt embarked on a path of limited economic liberalization (or *infitah*) which lasted from 1971 to 1981. After a decade of economic crisis during the 1980s, a radical dismantling of the remnants of the statist model and the adoption of a neoliberal development model occurred under Mubarak (1981-2011). Each of these economic phases impacted housing policy in distinct ways. In the following paragraphs, I briefly chart out the housing policy trends and developments in each of these periods.

Housing problems prior to the 1950s have been mentioned only indirectly in studies dealing with a variety of different social issues.[7] As a social issue in its own right, however, access to housing, or the right to housing more generally, has been overlooked in the scholarly literature. Older parts of Cairo and Alexandria were left undeveloped and unaffected by urban development. During the first part of the 19th century urban planning was geared to protect elite districts from the emerging housing ghettos.[8] In the second half of the 19th century, the beautification of Cairo became the focus of official urban policy, but resources were devoted primarily to the construction of palaces. Within the literature on housing, there has been little discussion of how these developments affected the popular classes, with the exception of a few cases that discussed demolition of houses to make way for the construction of thoroughfares in Cairo (Raymond 2001).

Through the course of the 19th century, the urban population of Egypt did not increase rapidly. Between 1821 and 1907, the proportion of the urban population of Egypt rose from 9.5 per cent to 14.3 per cent of the entire population (Issawi 1969: 109). But between 1917 and 1947, Cairo's population grew three times faster than the whole of Egypt (Botman 1991: 21-22). Thus, in the first half of the 20th century, housing problems began to surface as rural-urban migration became more prominent.

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[7] For example, with reference to: rural poverty and the state of rural housing; women's social status and the structure of the household; and the impact of colonialism on urban planning.

[8] Timothy Mitchell (1988: 14) discussed housing in the nineteenth century as an example of how the formation of the modern state coincided with a disciplinary strategy intended to 'enframe' the population. Rural housing in the form of model villages and urban spatial reorganization, such as the building of thoroughfares, were mechanisms of establishing a 'diffused' form of state control over the population (Mitchell 1988: 174-75). Judith Tucker's account of 19th century housing however, shows that the state did not have as much control over housing policy and that in fact, Mohammad Ali and his dynasty during the nineteenth century were only interested in building infrastructure to facilitate export of cotton and were not so keen on shaping the urban or rural space (Tucker 1985; Raymond 2001; 2005). However, the state's attempt to establish its authority over Egypt remains undisputed.

Population density in urban centres began to rise as mortality rates declined and more rural immigrants came to Cairo and port cities in search of opportunities. The foreign capital coming in under British colonial rule was primarily invested in infrastructural development, with investment in urban housing restricted to housing for the colonial, bureaucratic and comprador elites. An exemplary case was Heliopolis City which was built by Baron d'Empain of Belgium in the 1910s (Mitchell 1988). By 1947, it was estimated that thirteen million Egyptians, out of a population of nineteen million, lived in the countryside in huts or mud brick housing (Botman 1991: 73). After 1947, rural-urban migration increased dramatically. Abu-Lughod (1969: 168) points out that in 1917, "Cairo residents of rural Egyptian origin numbered fewer than 200,000." By 1947, however, "there were more than 600, 000 rural-born Egyptians living in Cairo; by 1960 there were over 1, 000, 000."[9] With the demographic explosion of the 1950s, the need for an official housing policy could no longer be evaded (Abu Lughod 1971; Bayad 1979; Hanna 1985; 1996; Issawi 1969; Soliman 2004).

After 1952, urbanization increased even further in response to a number of factors. Most important was the increase of urban employment resulting from the creation of a number of nationalized industries as part of the state-led development model.[10] As a result of Nasser's industrial policies, the governorates located in the Delta region (including Alexandria and Cairo) became the centre of industrial activity and a source of attraction for migrant workers in the countryside.[11] This led to a rise in demand for housing for workers who worked in the various industries promoted by Nasser, which in turn led to the development of Egypt's first housing policy enshrined in the National Charter of 1962. In accordance with this policy, the state provided housing for civil servants, engineers and industrial workers. This often took the form

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[9] Abu Lughod noted that until 1937, migration was often temporary whereby migrants would return to their villages after work season. However, after 1937, she observed a permanence in the nature of migration whereby migrants decided to settle in urban areas. She called this new strand of migrants as *rurban* – migrants who were neither urban nor rural but a combination; 70 per cent of Cairo's population fell into this category (Abu-Lughod 1969: 178, emphasis added). Issawi (1969: 111-12) noted a shift from inner cities towards coastal towns in the same period.

[10] Egypt's population went from 15.9 million in 1937 to 30.07 million in 1966, virtually doubling in twenty-nine years, then reached an estimated 57 million in 1990, doubling again (Abu Lughod 1971: 118; Raymond 2001: 342).

[11] Egypt is divided into 27 administrative units called governorates, each of which has its own capital, often with the same name as the governorate. The governorates are subdivided into regions and further subdivided into villages and towns.

of New Cities built to accommodate an expanding working class. Access to affordable housing for low income earners was guaranteed through rent control and state investment in affordable public housing. Despite these policies, problems of urban housing remained, as Nasser's state building strategy centralized industrial development projects within a few major urban areas resulting in the concentration of population in the main urban centres (Chatterjee 1990). For instance, the concentration of government services in Cairo transformed it into the main centre of culture, finance, commerce and education, serving as a magnet for future rural-urban migration over the coming decades (Ibrahim 1987). Already by the late 1960s, Charles Issawi (1969) was contending that Cairo and Alexandria would transform into one of the *megapolitan* centres of the world system. Issawi (1969: 113-17) and Abu-Lughod (1969: 177) identified a host of factors leading to a dramatic increase in the rate of urbanization such as: administrative centralization and bureaucratization, state investment in Cairo, the economic spillover from wealthy communities of foreign nationals, a centralization of education centres, and a decline in mortality rates due to modern medicine.

The lack of affordable housing forced many new migrants to rely on the informal housing market, thus, new migrants working in state factories often found housing near their work-places, as this was the most convenient way to maintain a steady supply of labour; many others searching for work found temporary shelter in the Cities of the Dead and the Old Quarters of Cairo, Alexandria and others. Lack of affordable housing was becoming a pressing issue throughout the 1960s leading an astute observer of Egypt to warn about the spill over effect of informal housing on agricultural land on the outskirts of cities (Abu Lughod 1969). However, government action remained insufficient to deal with the lack of affordable housing for the new migrants arriving in the cities.

Under Sadat, housing problems in urban areas continued to remain a challenge as urbanization picked up pace. To deal with housing shortages, Sadat adopted a mix of private and public sector solutions. These included a further expansion of New Urban Communities or the New Cities as well as relaxing rent control regulations to allow for furnished apartments that could cater to Arab investors (Feiler 1992; Bayad 1979). The New Cities embodied Sadat's new economic strategy of infitah or economic opening. Built by the private sector with the state assuming responsibility for infrastructure, the New Cities were viewed as the solution to Egypt's two pressing problems: urban housing and unemployment. However, the relaxation on limits to property ownership resulted in the growth of speculative investment in urban property. The New Cities did not solve the housing shortage or unemployment; instead, most of them became ghost towns due to a lack of jobs, affordable transportation and housing for workers (Raymond 2001). Despite an increase in the total stock of housing from the New Cities agenda, Sadat's economic policy was continuing to marginalize both the urban and rural popular classes who had no access to the formal housing market and were losing traditional dwellings.

By 1975, the housing shortage was estimated at 1.4 million units, and continued to increase over the next decade. Older, inner city areas such as Masr al-Qadima, Sayyida Zeinab, Darb al-Ahmar, Gamalia, and Bulaq, were also being neglected, resulting in a further deterioration of the urban infrastructure and housing stock (Richards and Waterbury 1990: 274-75). During the 1980s, housing shortages and the failure of state housing policy left the informal sector as the main source of housing provision. According to Andre Raymond (2001: 353), 82 per cent of housing fell into the 'unregulated' category between 1976 and 1982.

The 1990s witnessed a radical shift in the role of the state vis-à-vis the definition and enforcement of absolute private property rights. The adoption of a neoliberal model of economic development exacerbated existing economic inequalities by redistributing wealth towards the wealthier classes. The implementation of the neoliberal model represented a strategy of 'accumulation by dispossession' whereby the Egyptian state engaged in a wide range of "structural, institutional and legal changes" in order to facilitate capital accumulation (Harvey 2003: 153). The main form that 'accumulation by dispossession' assumed was through policies of privatization which accelerated the extension of private property rights into traditional common property forms. The privatization of public sector firms also clawed back the post-war gains of urban workers while the return to promotion of export-oriented agriculture dispossessed large numbers of the peasantry and small farmers. The latter entailed the state policy of the transfer of various forms of land (including state land, Agrarian Reform land and other forms of customary tenure such as *Wad el Yad*) to private developers (Jorgens 2000; Owen 2000; Sait and Lim 2006; See Appendix B).

In the context of the sharp turn toward a "free market" model, housing policy underwent radical changes. For instance, during the first decade of liberalization, fixed rents and tenants' rights were abolished as a result of Law 96 of 1992 which liberalized the agricultural sector and ended secure rural tenancies. Similarly, four years later, Law 4 of 1996 liberalized the urban housing market and ended secure urban tenancies.[12] As a result, in 1997 alone, over a million peasants were evicted from their lands. In urban areas, those living under fixed rents were not forced out in the same manner as the inhabitants of rural Egypt, however, the urban working classes were subjected to uncertainties associated with the deregulation of the rental market. Landlords exploited their new found powers by neglecting the upkeep of old buildings and by refusing to renew old contracts, forcing many out of rent-controlled housing. Already in 1995, an estimated one million people lived in Cairo's City of the Dead; another million or more were estimated to inhabit the rooftops of buildings in Cairo and Alexandria (Stewart 1996). Astonishingly, these numbers radically increased over the next decade and a half. Poor, densely populated neighbourhoods in Cairo and other major cities lack basic urban services such as sewage, running water and regular solid waste collection. As government investment in housing and urban services declined over the years, infrastructure has collapsed, forcing the lower classes to rely on non-governmental organizations and charities. At the other end of the social spectrum, the phenomenon of vacant housing became commonplace in Egypt. According to the 2006 census, in the early 2000s an estimated 6 million units lay vacant across the country (El Kouedi and Madbouly 2007).

While the state claimed that the private sector would resolve the housing problem, the opposite is true. As public investment in housing radically declined, the private sector responded to the high end of the market by building luxury housing, villas and tourist resorts. The state actively encouraged foreign nationals to invest in the Egyptian property market by privileging their interests over the interests of their own popular classes. Thus, as the demand for popular housing remained unmet by the

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[12] These laws will be discussed in more detail in Chapters Eight and Nine.

market, and as the state continued to withdraw from the provision of affordable housing, informal housing expanded in the poorer areas of Egypt.

Some argue that the government expressed no interest in developing a sustainable housing policy because the housing crisis primarily affected a constituency of marginalized, lower class Egyptians. Under Mubarak, the rich saw their incomes increase substantially, enabling them to easily afford housing costs. The working class and the poor, however, suffered from stagnant wages, inflation and unemployment. Therefore, even fixed rents remained increasingly beyond their means (Hanna 1985; Ibrahim and Ibrahim 2003). The continuous flow of rural-urban migration only exacerbated this crisis. As Milad Hanna (1985: 206) pointed out, "There [was] no clear plan to control or guide this flow, nor [was] there a plan to solve the housing problem for these country people."

I argue that the housing problem under Mubarak has to be understood in the context of the reconstitution of ruling class interests and a neoliberal restructuring of the state and the market. The shift to neoliberalism empowered landlords and private developers, enabling them to create markets in land and housing – in both urban and rural areas – monopolize the provision of formal housing, while eliminating peasants' and workers' direct access to housing as well as to their means of subsistence. This trend of accumulation by dispossession was deeply political and carried the potential for igniting social conflict across the country.

A number of research questions guide this dissertation. First, what is the relationship between the changes in ruling class interests and strategies of accumulation and the larger social property relations that reflect the relations between ruling classes and producers (peasants and workers) in different historical periods? Second, what is the social basis of the state in different socio-economic and historical periods and what role did it play vis-à-vis the ruling classes and producers? Third, how do workers and peasants respond to ruling class strategies of accumulation and how do their responses affect the nature of state and ruling class power in society? In light of these questions, a broad historical synopsis of these developments will be presented to introduce some of the concepts necessary to understand the historical transformation of housing as it primarily served societal needs for shelter to its transformation into a commodity whose price becomes determined by the capitalist market. It is only through such a broad historical study that we can understand the evolution of the housing problem and the qualitative transformation of the housing problem as housing sector took centre stage in the contemporary strategies of capitalist accumulation.

Studies of Egyptian Housing

While studies of rural housing remain predominantly limited, most studies of housing in Egypt fall roughly into three categories; the first category primarily focuses on demographic trends and the impact of these changes on urban housing. Most studies of housing have mainly focused on the urban problems associated with overpopulation in major urban centres such as Cairo (Abu Lughod 1971; Chatterjee 1990; Hanna 1985; 1992; 1996; Soliman 2004). Due to the centralization of administrative services over the last half of the century, Cairo has absorbed most of the rural migrants (Ibrahim and Ibrahim 2003: 208-10).[13] These studies offer a sociological analysis of the problem of housing by focusing on rural-urban migration and how the urbanization trend intensified the need for housing, while government policy lagged behind thus resulting in a housing crisis.

A second set of studies explore the housing question through a study of informal housing and its proliferation in the context of rising urbanism. Informal housing constitutes the subject of a significant portion of studies of housing in Egypt. Given that informal housing is not legally recognized by the state and not integrated into the formal economy, proposed solutions to housing problem in this category are framed within a neoliberal paradigm that emphasizes the extension of property rights to informal housing (de Soto 2001; Soliman 2004; Chatterjee 1990).[14] Lata Chatterjee's (1990) study of the historical evolution of housing policy from Nasser to Mubarak proposes the development of financing schemes for individual households as a way of resolving the housing problem. Most of these studies are influenced by the

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[13] Cairo was initially planned to support five million people. However, over the last half century, its population multiplied many times. While the urban population of the capital city increased rapidly, no official planning occurred to absorb the expanding population (Stewart 1996: 461).

[14] It is noteworthy that Ahmed M. Soliman's training was both in architecture and in engineering. His work involves city planning and urban development.

World Bank and the United States Agency for International Development (USAID); their proposals suggest the creation of private housing finance schemes and self-help projects as a way to resolve the housing crisis through the private sector (Hassan 1992). For instance, a USAID funded study of informal housing, prepared in collaboration with the Egyptian government, proposed that the government should encourage the private sector while removing rent control laws to allow for the creation of a private housing market (ABT Associate et al. 1982).

The third category of studies offers micro-level analyses of housing.[15] Gil Feiler's (1992) work on the successes and failures of the 'New Cities' (also known as desert cities), for instance, provides details on various desert cities, but assesses them in isolation from the framing economic policies of the state. Other studies offer valuable insights into the housing sector, but suffer from a similar micro-level focus, or are simply out-of-date (Bayad 1979; Hyland 1984; Housing in Egypt 1979; Seminar on Core Housing and Site and Service Projects for Low Income Groups 1979; Fathy 1973). They are, therefore, unable to explain the current crisis of housing which extends beyond urban areas in the context of a neoliberal in Egypt.

In terms of coverage of *rural* housing, some of the prominent studies are those in the field of architecture. These studies offer a detailed picture of rural housing, particularly in terms of its design and construction. But they do not deal with problems of access to housing that rural residents are faced with (Bayad 1979; Fathy 1973). But even in studies that deal with access to rural housing an overriding emphasis is placed on problems stemming from rapid population growth and the associated pressures that the spread of informal housing places on scarce agricultural land (Soliman 2004).[16]

If the existing literature on housing in Egypt provides a rich description of the scope and nature of the current housing crisis, there is a lack of analysis that situates

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[15] An exception is the work done by Eric Denis (1996) whose insights are discussed in greater detail in Chapters Three and Eight.

[16] Egypt's population increased from 15.9 million in 1937 to 81 million in 2011, placing significant strains on infrastructure and arable land (Nassar and Mansour 2003; El Batran and Arandel 1997). Of the one million square kilometres that constitute Egypt, only 4 per cent is arable land and the remainder is desert .

housing policy within the context of competing interests and social struggles.[17] Housing needs to be seen both as a specific field of struggle, and in relation to wider social struggles about capitalism and market dependence in the meeting of social needs. Furthermore, the capacity of powerful actors to achieve their interests needs to be placed in a larger context of Egypt's political economy.

The spread of housing problem beyond the urban areas into rural Egypt in the 1990s has been closely associated to the changes in economic and social property relations which have rendered the producing classes market dependent. In Egypt, this process which rendered workers and peasants market dependent was consolidated after the demise of post-war statist model, on the one hand, and the consolidation of the power of capitalists and landlords via neoliberal development strategies, on the other. Therefore, the housing crisis in Egypt today needs to be understood in terms of this historical development of capitalism in Egypt and the associated changes in property regimes that constituted the hallmark of these contemporary social transformations.

Housing Policy and Politics

Politics is about the uneven distribution of power in society, how the struggle over power is conducted, and how it impacts on the creation and distribution of resources, life chances and well-being. I adopt a historical political analysis which does not assume static rules of the game, but rather views rules as context dependent. Through such a historical political analysis, I aim to demonstrate the existence and effect of historical legacies in the political processes and institutions of the present. Politics concerns the distribution, exercise and consequences of power. Political analysis then should draw attention to power relations that are implicated in social relations. In this sense, politics is not defined by its locus (i.e. within government circles or restricted to the realm of policy) but by its nature as a process. My goal has been to produce an empirically rich and theoretically informed historical narrative which seeks to

[17] Studies that have examined the problem of housing within a larger framework of political economy often interpret the crisis of housing as a result of policy of rent control. They also argue that this unequally benefited public sector workers (Hanna 1985; Harik 1997; Richards and Waterbury 1990).

empirically rich and theoretically informed historical narrative which seeks to preserve and capture the complexity and specify the process of change, examining the inter-play of actors, ideas and institutions.

Method, Key Concepts, Sources and Structure

This dissertation is situated within the critical realist tradition of social science as it formed in relation to Marxism (Marsh and Furlong 2002; Hay 2002; Brown 2001; Sayers 1992). According to critical realism, there is a world that exists independently of our perception of it, *but it does not present itself to us as it really exists*. This ontological and epistemological position was summed up by Marx when he wrote: "All science would be superfluous if the outward appearance and the essence of things directly coincided" (Marx 1967: 817). If it is possible to identify causal relationships, analyses of these causal relationships defy any deterministic structuralist account of cause and effect. It is necessary neither to treat agents as passive respondents to external stimuli, nor dissolve any notion of structure or external constraint into some unfettered agency. It is important to situate "reflexive agents who interpret and change structures" within pre-existing social contexts (Marsh and Furlong 2002: 31). As Marx (1973: 143) famously stated in the *Eighteenth Brumaire of Louis Bonaparte*: "Men make their own history, but they do not make it as they please; they do not make it under self-selected circumstances, but under circumstances existing already, given and transmitted from the past." The simplicity of Marx's observation belies the complexity of its implications for any social scientific analysis. As Hay (2002: 118) points out, despite the proliferation of literature on the issue of structure and agency, there is "little to the question of structure and agency which is not already well (or even better) captured by Marx" in this passage.

Structure and agency should be treated as distinct phenomena rather than as two sides of the same coin. In this approach, structure is clearly the starting point. Action only takes place within a pre-existing structured context which is strategically selective, that is, it favour certain strategies over others. Such contexts are not like level playing fields; they have sloping contours which act to advantage certain 'players'.

Actors are reflexive and can formulate strategy on the basis of partial knowledge of the structures. It is possible for actors to formulate strategies which overcome the problems created for them by strategically selective contexts. Actions can then lead to changes in the structural contexts which are unanticipated or unwanted. Structures do not determine the actions of agents, rather they constrain and facilitate them. Agents are reflexive can deconstruct and reconstruct structures just as structures compel the agents to act and respond in specific ways. A such agents have the capacity to influence the course of social and political change. In turn, acknowledging such a role for agents, means that we have to recognize the spatially, and temporally contingent nature of social systems and institutions.

In my study of housing policy, I adopt a process-oriented method which demonstrates the complexity and the unpredictability of social and political change. In a sense, this is an inductive study and not one concerned with producing theoretical models. The study is inductive in the sense that I prioritize empirical evidence and do not start with testable hypotheses, but unlike positivists I prefer complexity over parsimony and do not treat the outcome of my research as generalizable to other cases. My method is informed by a Marxian approach which views reality as more than appearances and argues that focusing exclusively on appearances can be extremely misleading. To move beyond appearances to the essences requires a dialectical way of thinking that "brings into focus a full range of changes and interactions that occur in the world" (Ollman 2003: 12).

To put it in other words, there is a real world out there, i.e. there are essential processes and structures that shape and cause contemporary social existence. The task of a social scientific research is to uncover these essential processes and structures. These processes and structures may not be directly observable. The surface may obscure the reality and promote particular economic interests.

Adopting a dialectical method means that we expand our thinking by looking beyond the immediate common-sense appearance of an object/thing to examining the complex processes and relations that have historically shaped the object/thing. The production of knowledge, i.e. our interpretation of social processes, struggles and institutions are theory laden as well as specific to our philosophical traditions, our cultural backgrounds amongst other factors that shape our lenses.

To operationalize this method required deciding what was the appropriate sources of information on the changes that were under way in Egypt in the 1990s and after, how to gather information that required fieldwork and which social agents to interview. As I earlier pointed out, both a Marxian approach and a critical realist approach accept that there is a reality out there, but that our perception of the reality is colored by ideology among other factors. In order to gain access to the reality out there and to reproduce it in all its complexity required being aware of biased documents that distorted the reality or reported a narrow version of the actual social change that was under way. Reports and studies that discussed the policies that the Mubarak regime adopted in the 1990s and after were heavily influenced by neoliberal ideas from the World Bank and the International Monetary Fund (IMF henceforth). As such, mobilization of knowledge inside Egypt which informed Egyptian policy makers was carried out through the Egyptian Centre for Economic Studies (ECES henceforth). Despite the limitations of the official documents and reports, I carried out a thorough investigation of a diverse range of reports and studies produced by the Egyptian research centres and influential financial centres as well as by the IMF and World Bank. My task as a critical researcher was to take the evidence produced by these organizations and subject it to scrutiny and situate the 'facts' that they produced within a broader context of the changes that were affecting social relations in Egypt. I also attended an important conference in 2007 which was organized by the ruling classes, in the process of which I gained insight into what the ruling classes intended to do through their policy proposals, and how they wanted to reform the state to further their interests.

By situating my study of contemporary changes of the 1990s historically, I intended to do precisely what I often found missing in studies of political economy of Egypt, i.e. to trace the contemporary developments in state and class rule to their historical roots and identify the struggles that characterized the history of state and class rule in Egypt. As Ollman (2003) in his discussion of Marx's method pointed out, often policy analysis or ideologically-tainted explanations of political phenomenon tend to adopt a narrow focus, resulting in placing the blame on an individual (i.e. bad president or policy makers) or make the problems appears as trans-historical (i.e. Orientalist explanations). I intended to analyse the processes of social change and the struggles around property relations in the specific context of the development of modern capitalism.

Class Analysis

Any class analysis needs to move beyond the sociological approach that conceives class primarily as a structure or category and instead conceptualize it as a relationship and a process that is fundamentally historical (Thompson 1991). As Ellen M. Wood (1995: 81) has argued, the "main burden of a Marxist theory of class must be less on identifying class 'locations' than on explaining processes of class formation." On this matter it is worthwhile quoting Wood (1995: 98) at length:

> The notion of class as 'structured process', in contrast, acknowledges that while the structural basis of class formation is to be found in the antagonistic relations of production, the particular ways in which the structural pressures exerted by these relations actually operate in the formation of classes remains an open question to be resolved empirically by historical and sociological analysis. Such a conception of class also recognizes that this is where the most important and problematic questions about class lie, and that the usefulness of any class analysis – as either a sociological too or a guide to political strategy – rests on its ability to account for the process of class formation. This means that any definition of class must invite, not foreclose, the investigation of process.

Two aspects of this conceptualization of class and class analysis are important for this study. The first relates to the twofold character of what Thompson (1963) refers to as 'class as a relationship'. And as Thompson emphasizes, understanding class relations requires a historical approach: "If we stop history at a given point, then there are no classes but simply a multitude of individuals with a multitude of experiences. But if we watch these men over an adequate period of social change, we observe patterns in their relationships, their ideas, and their institutions. Class is defined by men as they live their own history, and, in the end, this is its only definition" (Thomspon 1963: Preface). Class analysis then incorporates the relations between classes as well as among members of the same class. This latter component of class analysis becomes particularly important to an analysis of the self-transformation of the Egyptian propertied class in the context of neoliberalism. The second important point is that conceptualizing class as a process necessarily entails a class analysis appropriate to analyzing class formation.

This dissertation therefore adopts an historical, or 'diachronic' as opposed to a 'synchronic' approach to class analysis. The latter approach views history as a series of what Hay (2002) calls 'comparative statics', and reveals little about the character, pace or temporality of change over time. What is actually taken as 'change' is not the continuous evolution of the subject, but rather a comparison of two or more differentiated states in the development of the object under examination (Ollman 2003). The historical approach to class analysis adopted in his study raises questions about the relationship between structure and agency and the prospects of 'path dependency' that this entails (Hay 2002; Katznelson 1998; Haydu 1998).

Understanding the problem of housing as a qualitatively new development linked to specific phases of state and class formation, rather than a quantitative change linked to demographic shifts, requires the adoption of this particular approach. As mentioned in the literature review, the majority of housing studies adopt a 'comparative static' approach and view the problems of housing as technical or logistical problems with little concern for history and social context. Most housing studies do not examine change through a study of social processes, but rather through a study of selective periods; the differences found between the selected periods is called 'change'. This quantitative focus results in a narrow conception of change and tells us little about the nature of these changes, the agents involved in issuing in these changes, or the forms of resistance to these changes. This, in turn, precludes an understanding of the real causes of change that constitute the problem in the first place.

This dissertation aims to go beyond the existing literature on housing by examining the relationship between neoliberalism, the commodification of land and the privatization of tenure in Egypt. In order to highlight the significance of the social transformations under way since 1991, I situate it within the context of the contestation of property rights beginning in the nineteenth century. I argue that the current housing crisis in Egypt has been transformed and exacerbated by the neoliberal reforms that began in 1991. While problems of housing pre-date the introduction of neoliberalism, the current crisis is now both rural and urban in character and strikes at the very nature of tenure in Egypt. Both of these developments are novel. In this dissertation, I analyse the impact of neoliberalism and the way it transforms the spatial experience of both urban and rural areas, and the effect it has on access to housing as market imperatives are generalized across Egypt. My intention is not to examine housing policy in a technical sense that treats housing as merely a logistical problem, but rather to situate the study of housing within the larger context of class struggle, state formation and capitalist development in a way that emphasizes the socio-political dimension of the housing crisis.

This analysis is informed by Marxist political economy. In particular, the dissertation draws on David Harvey's conception of 'accumulation by dispossession' and Wood's notion of 'market dependence' (Harvey 2003; Wood 2003). The former refers to the strategies of capital accumulation associated with the neoliberal phase of capitalist development, while the latter refers to the condition of dependence, by both producers and appropriators, on market imperatives for their social reproduction. As will become clearer in the next chapter, these two concepts are fundamentally related to one another, but represent different moments of capitalist development.

Key Concepts

Capitalism

Capitalism constitutes a system of social property relations in which the organization of total social labour and the mobilization and distribution of natural resources are determined by the imperatives of profit maximization rather than determined by actual social needs of a society.

While capitalist developed initially occurred in England, later models of capitalism did not necessarily follow the same path. As a result, we witness a divergence in the path of capitalist development in European and North American countries shaped by their specific historical and political contexts. Similarly, in the Global South, capitalist development has occurred unevenly subjected to not only the local historical and political factors, but also subjected to the global capitalist economy's imperatives.

Class

Class can be conceived as a social relationship which has formed historically. Class comes about as a process, and is experienced as a relationship between groups of people who either control resources and means of production or who earn wages in order to survive. Rather than in an abstract sense, class has to be understood in its specific historical, social and political contexts. As societies undergo change in the process of transition to capitalism, class relations also undergo change. As E. P Thompson stated: "Class happens when some men, as a result of common experiences (inherited or shared), feel and articulate the identity of their interests as between themselves, and as against other men whose interests are different from (and usually opposed to) theirs. The class experience is largely determined by the productive relations into which men are born—or enter involuntarily" (1963: Preface).

In short, class is experienced as individuals assume social roles. Demonstrating class requires a study of how particular individuals came to assume particular social roles, how institutions developed historically and what interests were pushed forward by the individuals and institutions.

State

State in its abstraction can be conceived of as an ensemble of institutions (coercive and extractive) representing the culmination of previous social struggles. What does the state do? The state exercises power over the territory under its borders, but the powers remain contested by rival groups of elites and ruling classes where institutional arrangements have not resulted in stable power sharing arrangements. The exercise of power by a ruling class or ruling elite is dependent on the administrative, legal and institutional capabilities of the state and the degree to which state has or has not gained legitimacy in the eyes of other social classes.

Capitalist State

A capitalist state reproduces capitalist social relations by ensuring that short term interests of capitalists do not undermine the system. The capitalist state accomplishes this goal through maintaining a degree of relative autonomy from capitalists and their particularistic interests. The state relies on a set of sophisticated legal, coercive and bureaucratic apparatuses that are developed and perfected under various regimes/governments. This guarantees the continuation of the capitalist system and gives the state an image of permanence disregard of the various ruling parties that assume power. Although under capitalism the economic sphere appears to have assumed independence form the political sphere, the economic imperatives of capitalism continues to require the extra-economic powers of "regulation and coercion, to create and sustain the conditions of accumulation and maintain the system of capitalist property"(Wood 2002: 178). Indeed, more than any other system, capitalism requires "politically organized and legally defined stability, regularity and predictability in its social arrangements" (Ibid.).

Political Accumulation versus Capitalist Accumulation

Political accumulation takes place in non-capitalist or pre-capitalist societies where there exists a fusion of political and economic spheres. In other words, political accumulation requires the direct use of force by the state or ruling class. Capitalist accumulation in contrast does not require the use of naked force or violence. Rather coercion is masked through the institutional forms of exploitation and contractual nature of capital-labour relation that has emerged historically. As such, capitalist accumulation appears to be occurring in the realm of the market without the influence of political actors or ruling classes. However, the apparent separation of the economic from the political realm cannot *always* mask the political nature of exploitation and accumulation which is why the capitalist state continues to rely on coercive force of the police, courts and prisons.

Neoliberalism

Neoliberalism is a specific phase in the development of capitalism, with its rise being a response to the crisis of profitability experienced by capital in the 1970s. Neoliberalism was a set of ideas and later policy proposals that attacked state regulations on capital, workers' rights and gains made in the post-WWII period. Neoliberal policies associated with the set of policy outcomes that were put in place in the US under Ronald Reagan and in the UK under Margaret Thatcher. Neoliberal policies were also imposed in Latin America and other parts of the Global South, with the Middle East being affected by these policies in the 1990s. In the latter case, Neoliberalism blamed the statist model for the structural weakness of the economies of the region and instead proposed economic liberalization, privatization of state enterprises and deregulation of capital. In short, neoliberalism paved the way for a greater role of the private sector in the economy while targeting the progressive gains made by workers and peasants in the post-WWII period.

Accumulation by Dispossession

This concept is specific to the historical context of the 1970s when, Harvey claims, the crisis of accumulation by capitalists was resolved through either reversing workers' post- WWII gains in the advanced capitalist countries or through finding new areas and sources of accumulation. The latter solution when extended to the Global South entailed a package of policies by the International Financial Institutions which paved the way for commodification of communal resources and abolition of customary forms of tenure. Infact, the latter policies in the Global South formed the basis of accumulation of local ruling classes in the 1990s and this is the subject of discussion in this dissertation.

Market Dependence

In the context of development or deepening of capitalist social relations, direct producers (i.e. peasants) lose non-market access to their means of livelihoods. In the absence of non-market means, direct producers become market dependent for their basic means of survival. In the context of the post 1990 Egypt, we witness a process whereby workers lose access to guaranteed (protected from market imperatives) services, goods as well as benefits. The dismantling and privatization of state enterprises in combination with the dismantling of secure tenancies and attack on customary forms of tenure played an important part in rendering workers and peasants market dependent for their basic means of survival.

Sources

This dissertation relies on a range of evidence which includes official international and Egyptian state policy documents, interdisciplinary scholarly analysis of Egyptian political economy, and interviews and observations, which complement the documented evidence.

My empirical data includes academic studies, official government reports, economic reports from national and international financial institutions and news articles collected from archives, libraries in Egypt (Centre d'Etudes et de Documentation Economiques et Juridiques, the library archives and Social Research Centre of the American University in Cairo) and France (the Institute of the Arab World in Paris).

The aim of the qualitative research component was to gain an in-depth understanding of how workers and peasants experienced the process of change that was triggered by the liberalization of land and housing markets and the extent of this change across the country. This data was collected through unstructured interviews, which included purposive heterogeneous sampling of a wide variety of subjects in order to assess a wide range of reactions to the changes that had taken place since 1991. The interviews were conducted over a period of four years (2005-08) in diverse geographical settings which included thirteen out of a total of twenty seven governorates. I carried out fifty six interviews with workers, peasants, landlords and policy makers. These interviews which are included in my case study Chapters Eight and Nine offer a window into how social agents experienced the changes in social relations that occurred as part of the strategy of accumulation by dispossession. The interviews also shed light on how the social agents, coming from different class backgrounds, interpreted the nature of the social change and how they viewed the role of the state and how they reacted to policies that changed their social status and the extent of control they exercised over their lives and livelihoods.

Limitations

There are a number of limitations to the research that was carried out for this dissertation. First, conducting fieldwork was not immune from the intrusion of security forces and police that monitored access to villages across the country and on a few occasions prevented me from carrying out interviews and thus my choice of villages sometimes were shaped by the ease with which I could gain access to my interview subject. Second, there is a lack of specific data on land ownership types and sizes. Given that this study is the study of contemporary struggles over land, it has been limited by the on-going legal changes by the state in land tenure, legal battles over lands seized involving private investors, farmers and the state, lack of disclosure of amount of land that changed hand between the state and private investors, and importantly lack of reliable information about the amount of land that was repossessed from peasants and small farmers by landlords. The only reliable, yet sporadic source of data for studies of land dispossession have been reports prepared by non-governmental organizations (NGOs) and as dispossession has been underway throughout the 1990s and 2000s, such data is constantly outdated by recent developments on the ground.

My data on land ownership structure and size therefore needs to be qualified. There are various categories of land ownership that are referred to in this dissertation, such as royal lands, state lands (public lands), endowment of *waqf* lands, private lands, foreign-owned lands and Agrarian Reform lands. I provide the distribution of registered lands which are recorded by the state. However, most of the land that falls under the category of state (public) lands and customary lands remain unregistered and therefore no reliable source for such information exists. In addition, most land for which records exist constitutes agricultural land. Desert lands which fell under customary tenure or state lands gained importance after they were being privatized in the 1990s and 2000s either for tourist development or mega-agricultural projects.

Thus, the contestation over various forms of land during Mubarak's rule left land tenure forms in a state of flux whereby it remained difficult to capture the exact amount of land under various tenure forms. However, what was possible to observe from the scattered pieces of evidence provided by the Egyptian media and non-governmental organizations was the direction of change in access to land whereby customary forms of access to land and land that fell under state control were being subsumed by private property. Finally, I should mention that the data on the Egyptian military and their landholdings are not included, although I have discussed the role of the military and security forces in the process of dispossession. Under Mubarak's rule, information pertaining to the military was considered sensitive and categorized as part of national security. A fuller picture of the extent of the military's economic power may emerge in the coming years or decades.

Structure

The dissertation is divided into three parts and ten chapters. The chapters in Part One discuss approaches to the study of capitalist development in the Middle East. Chapter Two begins with a critical examination of Orientalist and modernization approaches to the Middle East, followed by a discussion of the alternatives presented by dependency and world systems theories. The final part of the chapter discusses the political economy literature within which I situate my own approach. This section offers a detailed discussion of the main concepts employed in this study and offers a theoretical framework that situates the current developments in property relations within the context of an expanding capitalist system. In Chapter Three, I discuss the neoliberal development model in the Middle East and in Egypt. This chapter examines the evolution of Egyptian development models from statism under Nasser to neoliberalism under Mubarak and assesses their impacts on property relations and housing.

In Part Two, I trace the history of state formation, property regimes and housing from 1805 to 2010. These chapters discuss the evolution of housing policy in conjunction with changes in property relations and state formation. Chapter Four includes an examination of the social struggles surrounding state formation, colonialism, and the various forms of property regimes that emerged in these periods. Chapter Five examines the period under Nasser, showing how the housing needs of peasants and workers became an important aspect of economic policy making resulting in land reform and rent control. Chapter Six examines the 1970s under Sadat, demonstrating how changes in property relations reflected the economic interests of the landed classes and the smaller merchants (the *infitahi*) and affected the nature of housing policy.

Part Three focuses on the Mubarak period and the social and economic transformations that Egypt experienced under his rule. Chapter Seven discusses the shift to a market economy and the reconstitution of power relations through the implementation of new property laws and the strict enforcement of property rights, resulting in the coalescence of the landed class and a new fraction of the bourgeoisie. Chapters Eight and Nine demonstrate the ruling class coalition's attempts to dispossess workers and peasants as a strategy of accumulation. The case studies in these chapters provide a detailed look at the social struggles around access to housing as well as the class based nature of housing policy. In Part Four, the concluding Chapter Ten reiterates the close relationship between the shift to a 'free market' economy, the violent character of accumulation by dispossession and the insecurity and economic coercion associated with market dependence. It also emphasizes the role of the state in the reconfiguration of class relations, and concludes with a brief summary of the contribution of the dissertation.

Chapter 2. Capitalism and Development in the Middle East

Explanations of the subordinate position of Middle Eastern economies within the global economy and analysis of the social problems afflicting societies in the region have been deeply influenced by scholarly traditions of Orientalism and modernization theory. The absence of a tradition of political economy that critically assesses the integration of the region and the adverse effect of the expansion of the capitalist global economy on the region have reinforced the former traditions and their influence in Middle Eastern studies. This chapter discusses the various scholarly traditions that have over the course of the twentieth century and after shaped the contours of Middle East studies and consequently leading to an ordering/prioritizing of certain themes and research topics against others. In section one, I discuss how Orientalist influences shaped the development of the study of the Middle East. The following two sections deal with various postwar studies that attempted to explain the lack of economic development in the region. In particular, the contribution of modernization, dependency theory and world systems theories will be assessed. Following this, I examine how recent studies in the political economy of the Middle East remain trapped by Orientalist characterizations of modernity and traditionalism. Next, I discuss a Marxian approach to the study of the Middle East. This approach situates the historical and contemporary developments in the region in the context of the expansion of a global capitalist market with its features of market dependence and competitive imperatives. In this section I introduce my main concepts borrowed from Harvey and Wood, accumulation by dispossession and market dependence, respectively. The concluding section characterizes the current phase of capitalist expansion in the region as a process of accumulation by dispossession: a conflict-ridden process that has resulted in the generalization of market dependence and the reconfiguration of property relations in Egypt.

Orientalism and the Middle East

In the 19th century, the study of the Middle East emerged out of what has been termed the Orientalist tradition of historiography. 'Orientalism' is a multi-faceted term, encompassing both a self-conscious scholarly tradition – associated with British and French 'Oriental' studies – as well as a term famously employed by Edward Said (1979: 2) to refer to a "style of thought based upon an ontological and epistemological distinction made between 'the Orient' and…'the Occident'."[18] In a similar vein, Thierry Hentsch (1992) argues that the 'Orient' was created as the 'other' against which a unified Western Civilization could be defined. A continuous 'epistemological thread' of Orientalist discourse can be found in scholarship dating back as far as the Ancient Greece. In both cases, Orientalism 'essentializes' an Islamic identity by privileging the cultural and religious factors of Islam over the political, economic and social components in its explanation of Middle Eastern development. Indeed, as Maxime Rodinson (1987: 60) pointed out, it was in the 19th century that a conception of *homo islamicus*, a type of man essentially different from 'Western man', emerged in scholarly discourse.[19] A further key point of differentiation relates to the dynamism of Western society versus the stagnation of Middle Eastern societies that were "self-contained, isolated from external relations, frozen in an immobile dynamic and unchanging before their incorporation into the modern world system" (Farsoun and Hajjar 1990: 164). As a result of a perceived static nature of Eastern societies, change occurred only under the influence of external forces such as European colonialism. It is no surprise then that the rise of Orientalism coincided with the growth of European and American power over the Muslim world.

Orientalists like Bernard Lewis explained these essential differences in terms of a differentiation between a rational, liberal West and a traditional, autocratic East.

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[18] Said argued that Western scholars – particularly colonial officials and travel writers of the 19th century – had been complicit in the West's domination over the East by representing the Orient as an "irrational, weak, feminised 'Other'" cast in essentialist terms against a "rational, strong, masculine West" (Said 1979). According to Said, this image of the East, and especially of the Middle East, was based on a series of false assumptions that reflected Western prejudices against the East, and Arabs and Muslims in particular. The truth, however, was that there was no Orient that accurately corresponded to the depiction put forward by Orientalists.

[19] Although trained in the French Orientalist tradition, Rodinson attempted to dismantle the classical Orientalist myths that Islam was hostile to trade and commerce (Rodinson 1977). Rodinson argued that Islam was not the reason behind the Muslim world's failure to embark on capitalism; rather, the Muslim world's socio-economic structures were organized in such a way so that trade, production and redistribution did not lead to capitalist development. Despite representing an important critique of Orientalism, Rodinson's work remained marginal to the social sciences in America and Great Britain.

In 'Communism and Islam', an essay published in *International Affairs* in 1953, he argued that Islamic political tradition has always been essentially autocratic in the sense that the sovereign was owed "complete and unwavering obedience as a religious duty imposed by Holy Law" (Lewis 1954: 8). Both Islam and communism, he argued, displayed a disregard for political liberty and human rights, and represented totalitarian doctrines that offered a sense of a mission to their followers. In a global context of anti-colonial revolt against the West, Muslims would embrace communist notions of collective action and selfless devotion to an ideal. Despite the overlapping similarities between Islam and communism, however, Lewis argued that Muslim piety would not tolerate communist atheism.

This Orientalist tendency to explain the absolutist and repressive character of Arab governments by reference to a deferential or despotic Arab culture or Muslim religion meant that the complex nature of social relations and institutions of rule in Arab and Muslim societies were completely overlooked. In 'Islamic Concepts of Revolution' Lewis (1972) argued that while Muslim Arabs would resist impious governments, the "Western doctrine of the right to resist bad government [was] alien to Islamic thought" (1972: 33). There was a tendency, therefore, for Islam to foster tyranny and sanction subservience. In order to prove this, Lewis presented Islam as a "unitary civilization whose basic patterns were set a millennium or more ago and which continues to shape the beliefs and behaviours of Muslims everywhere even today" (Lockman 2004: 175). As Lockman (2004: 175) points out, Islam, for Lewis, "had always been, and remained a civilization whose essential characteristics and historical trajectory could be deduced from the texts of the 'classical' period and which did not, and cannot, really change."[20]

The emphasis on a despotic political culture prevalent in Eastern societies has a long history in Western political thought and gained a more 'scientific' grounding in a number of key sociological studies.[21] In his famous text, *Economy and Society*

[20] Lewis's work oversimplifies the complex history of the Muslim world, its interaction with the West, and downplays the diverse nature of Muslim and Arab society, see: Ira M. Lapidus (1984; 2002). Lewis's work presents broad generalizations of Arabs, Muslims and Islam. As a result, he not only essentializes Islam, but presents it as a monolithic, ahistorical phenomenon, divorced from social struggles specific to the various political contexts of the region. Lewis effectively denies agency to Arab peoples as makers of their own history, thereby devaluing their struggles against colonialism.
[21] For a study of the orientalism embedded within Western political thought, see Springborg (1992).

(1978/1922) Max Weber wrote that Muslim societies "were weak and backward because they lacked many of the key institutions which enabled Western societies to become wealthy and powerful" (Lockman 2004: 87). Key among these institutions was the development of private property rights which fostered the development of an entrepreneurial bourgeoisie and required the development of the rule of law. In contrast to Western Europe, the Muslim world was instead characterized by 'sultanism', a system of domination by patrimonial states whose rulers were rapacious, arbitrary and despotic. The 'discretionary' basis of the patrimonial power of sultanism was rooted in traditionalism and therefore represented the antithesis of 'rational' forms of rule (Weber 1978: 231-32).[22]

Building on some of Marx's controversial writings on 'Asiatic' societies, as well as Weber's notion of an Eastern 'hydraulic-bureaucratic office-state', Karl A. Wittfogel (1959/1957) sought to ground the notion of 'Oriental Despotism' within a materialist exposition of the 'Asiatic Mode of Production' (AMP). According to the AMP, 'Asiatic' societies were based on 'hydraulic economies' that required extensive irrigation systems in order to produce a social surplus. This in turn required the development of a 'manager state' that possessed significant organizational capacity to ensure the provision of infrastructure and the allocation of labour needed to maintain the hydraulic economy. The growth of such a state facilitated its dominance over the various social classes and prevented the development of private property in land. In Europe, where the development of private property empowered specific social classes to restrict the arbitrary rule of monarchs and kings, no such development occurred under the AMP. Through the state, the despot retains an absolute or autocratic power over government, organizes the economy through control over a strong and large bureaucracy, and maintains total power over society by keeping a population under a unified system of domination.[23]

The AMP has been used by some Marxist scholars from the Middle East to explain the various stages of Egyptian development. Anouar Abdel Malek (1968) uses the concept to explain the development of unity, centralization, and hierarchy in

[22] See: Bryan Turner (1974).

[23] For a critical discussion of the Asiatic Mode of Production, see: Barry Hindess and Paul Q. Hirst (1975).

virtually every domain of Egyptian society and economy. In contrast to European societies, the Egyptian ruling class maintained its power through control over the bureaucratic state, rather than relying on the accumulation of wealth through private property as the source of its power. Any weakness in the explanatory capacity of the AMP can be compensated for by a demonstration of how it is 'articulated' with other modes of production such as nomadism and mercantilism.[24]

Despite these qualifications, the AMP has come under heavy criticism. Both Perry Anderson (1974) and Bryan S. Turner (1974; 1978) criticize it for being an underdeveloped concept that claims to 'explain' the wide range of societies as diverse as Imperial Rome, Tsarist Russia, Hopis Arizona, Sung China, Ottoman Turkey and Sumerian Mesopotamia, Inca Peru, Persia and India.[25] Similarly, it has been criticized for its tendency to characterize Eastern societies as 'static' or 'stagnant' in terms of their social development.[26] While this is not the place to engage in a substantive debate about the AMP, the point is to highlight the ways in which it buttresses the notion of 'oriental despotism' that emerges out of the Orientalist tradition. In this sense, Orientalism has left a durable legacy in 20th century social science by creating an 'essentializing' paradigm for the study of the Middle East through which various disciplines and theoretical approaches interpreted developments in the region.

Modernization Theory and the Middle East

In contrast to the Orientalist tradition, modernization theory assumes a unilinear path of capitalist development that all states have the potential to follow.[27] This path of

[24] For an insightful discussion of Abdel Malek, see: Nazih N. Ayubi (1995b).
[25] See also A. L. Macfie (2000). Hamza Alavi's notion of 'over-developed state' is another variation of the state in the AMP or Tributary mode. The 'over-developed state' is similarly bureaucratic, with a strong military wing and relative autonomy vis-à-vis social forces (Alavi 1971). For a critique of the tributary mode and Amin's work, see: Terence J. Byres (1985).
[26] Various historical case studies of various Asian, African and even Latin American societies, have challenged this tendency.
[27] According to Lockman, "[m]odernization was a unilinear process in the sense that each contemporary society could be located somewhere along the fixed trajectory of historical development that led from tradition to authentic modernity. By definition, the advanced industrial countries of North America and Western Europe, and a few others, were deemed to have already achieved modernity; straggling behind them at various points along the road to modernity were all the rest, all those

development takes the form of a shift from traditional agrarian society to a 'modern' industrial society, signifying a qualitative change from a 'simple' and less differentiated form of society to a more complex and differentiated urbanized society characterized by social stratification governed by occupational skills and the emergence of a middle class. The details of this transition were laid out in W. W. Rostow's book titled *The Stages of Economic Growth: A Non-Communist Manifesto* (1990/1960). Such a transition would occur through the expansion of production for exchange, the institutionalization of private property, the creation of financial institutions, and the development of 'rational' institutions and democratic associations, all of which presumably existed in the West.[28] Whereas Orientalism emphasized the essential difference between East and West, and the inability of the former to become like the latter, modernization theory emphasizes the possibility – indeed the *inevitability* – of convergence. In the words of Daniel Lerner (1958: 47), "what the [West] is...the Middle East seeks to become."

While on the surface, modernization theory appears to represent a break from Orientalism – given the latter's belief in the essential cultural differences between the East and West, and the former's belief in the eventual socio-economic convergence of the Third World and the West – Orientalist influences remain dominant in its approach to the Middle East. In particular, modernization theorists focus on the "debilitating legacies of tradition" in the struggle to "achieve modernity" (Lockman, 2004: 134). Traditional social mores and values are considered to be economically 'irrational' and are perceived to be barriers to economic take-off. As Lockman (2004: 139) points out, "both approaches can be seen as premised upon the drawing of sharp distinctions between 'us' (Westerners living as modern people in modern societies) and 'them' (non-Westerners, especially Muslims, traditional people living in tradition- bound societies), even if the adherents of modernization theory focused on the processes whereby 'they' would (or at least could) eventually become like 'us'." Modernization theorists tend to view the Middle East as trapped in a stage of

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societies (especially in the Third World) which were still in transition, still struggling to overcome There was only one possible path to becoming modern – that is, like the United States and Western Europe of the 1950s-and that was the destination of all societies, unless they took a wrong turn during the transition and got stuck or side-tracked" (Lockman 2004: 134).

[28] For a provocative and insightful critique of modernization theory from the perspective of the history of European development, see: Sandra Halperin (1994).

traditionalism, where social structures remain static and irrational beliefs and values remain dominant.[29] The goal of modernization theory, therefore, is to find a way of introducing liberal and rationalist values that can overcome the influence of Islam.[30]

From the perspective of modernization theory, European colonialism facilitated – if not initiated – the modernization of the Middle East in the late 19th and early 20th centuries. For instance, Nadav Safran (1961) argued that Egypt's contact with Europe during the 19th century caused its political, economic and social systems to change. The problem, however, was that Egypt's Islamic culture, and the value system this produced, remained stagnant and antagonistic to modernization. Safran (1961: 3-4) concluded that the social conflicts of the first half of the 20th century thus could be understood as a result of a tension between the modernizing economic processes resulting from colonialism and the backward-looking influences of Islam. In a similar vein, Charles Issawi (1961) argued that Egypt underwent a shift from subsistence to export oriented economy in 1820 and it was not until 1930 that the beginnings of a complex economy emerged thanks to a relative measure of political autonomy that was accorded to Egyptian political elite. Issawi identified the lack of economic growth in Egypt with the failure of Egyptian elites and foreign capitalist to invest in non-agricultural projects which could have led to a diversified economy.[31]

Dependency, World Systems Theory and the Middle East

The world systems and dependency theories challenged many of the key claims of modernization theory. In particular, they challenged modernization theory's belief that all societies will follow the same path of development. Both dependency and world systems theories apply critical political and economic approaches to the study of Latin American society in order to argue – in different ways – that global economic integration marginalizes the economies of newly integrated regions, relegating them to a subordinate position in the global economy. For both dependency and world

[29] See: Bill and Leiden (1990: 65); Lisa Anderson (1990); Safran (1961).
[30] See: Lerner (1958); L. Anderson (1990).
[31] Issawi (1998) held a positive view of western colonialism, and intervention in general, in the Middle East and in the rest of the world as he believed that through such encounters, advanced knowledge, technology and values from the west were transferred to less developed countries.

systems theorists, the point is to understand not only how relationships of economic inequality persist between states that are formally equal in sovereign terms, but how these relations of economic inequality create forms of what Andre Gunder Frank (1966) calls the 'development of underdevelopment' – a form of dependent development that enriches the core while marginalizing the periphery. As such, they concluded that social change in the Third World, or the lack thereof, has always been conditioned by external factors and relationships: in particular, the inequalities intrinsic to the world market resulting from the legacies of colonialism and imperialism. The economic generalizations of modernization theory were, therefore, insufficient to explain the nature of development in the Global South.[32]

According to Immanuel Wallerstein (1976), the historical roots of underdevelopment must be understood in the context of the development of a capitalist world economy beginning in the sixteenth century. The capitalist world economy developed around two fundamental dichotomies: the relationship between capitalists and workers within the capitalist core, and the unequal relationship between the core and periphery. Within the world systems, a hierarchy emerges between the core and periphery constituted by relations of 'unequal exchange' (Emmanuel 1972) where core countries supply high value added capital goods to the periphery in exchange for low value added primary commodities. In making this argument, world systems theorists and dependency theorists rejected modernization theory's claims that economic transactions with the capitalist core will help less developed countries establish the conditions of 'take-off' towards economic modernization. Underdevelopment in the periphery, it was concluded, was the result of contact with the world capitalist economy, not a product of a persistent traditionalist culture.

The most important application of world systems theory to the study of the Middle East was in the work of Samir Amin. In 'Underdevelopment and Dependence in Black Africa' (1977) and *The Arab Nation* (1978) Amin explained the patterns of underdevelopment in Africa and the Middle East by demonstrating how European capitalism subsumed the societies of the Middle East into a capitalist world market

[32] See: Andre Gunder Frank (1967) and Fernando H. Cardoso (1979).

through the process of colonialism (Amin 1977;1978).[33] In contrast to modernization theory's claims, Amin pointed out that prior to the encroachment of European imperialism in the 19th century, the societies of the Middle East were in fact well developed commercial centres linked to the world systems. Amin employed the concept of the 'tributary mode of production' (TMP from here on) to explain the forms of surplus extraction in the Middle East. The TMP described all pre-capitalist social formations that were based on coercive surplus extraction by the state (Amin 1993).[34] In contrast to the widely held belief that Eastern societies were inherently backward, Amin argued that the societies comprised of the TMP experienced high levels of development in the forces of production. Despite these developments in the productive forces, surplus extraction was predominantly linked to trade and not to the exploitation of rural producers. Due to this dependence on trade, Amin argued that the fate of the Arab ruling class – the merchant-warrior class – was always tied to external relations, as opposed to domestic social forces (Amin 1977).[35] His emphasis on the urban character of Arab societies sought to challenge the characterization of a traditional Arab world depicted in the work of Orientalists and modernization theorists. The integration of the Middle East and North African (MENA) region into the capitalist world system was completed through the process of European colonialism, resulting in the 'development of underdevelopment' and the elimination of traditional social relations.[36] Capitalism thus came to the Middle East through the processes of European colonialism initiated by a 'semi-feudal and semi-capitalist' social class (Amin 1978: 28). This process of capitalist development led to a subsumption and subordination of pre-capitalist modes by the capitalist world system. Hence, economic growth was uneven and international specialization in the production of primary commodities perpetuated an unequal relationship in the global

[33] Also see: Amin (1976). Dependency Theory also influenced the works of Baha Abu-Laban and Sharon M. Abu-Laban (1986) and Halim I. Barakat (1993).
[34] For Amin's original discussion of TMP, see: Amin (1976: 13-58).
[35] Also see: Lapidus (2002).
[36] However, having made this argument about the totalizing effect of colonialism (which Amin sees as agent of capitalism in the Middle East), Amin makes a contradictory claim that capitalist expansion *did not necessarily* abolish or wipe out pre-capitalist modes. Indeed, more often than not, it preserved pre-capitalist forms/modes where it generated a cheap pool of labour.

economy, as African and Middle Eastern societies exported cheap raw materials to imperialist countries in return for high cost capital goods.[37]

Amin's contribution counters the claims of Orientalist and modernization approaches by presenting a history that makes the Middle East modern in the sense of being a highly urban, commercial society oriented toward external trade prior to the influx of European colonialism in the late 19th century. However, paradoxically Amin reproduced some of the tropes of Orientalism *and* modernization theory. As we have seen, Amin argued that the TMP, characteristic of Middle Eastern societies prior to the development of capitalism in the 19th century, resulted in a relatively high degree of development of the forces of production. However, he further added, the TMP also led to the creation of a series of 'strong states' in the Middle East; These 'strong states', he argued, acted as an obstacle to the emergence of a bourgeoisie. Once again, the 'oriental despotism' theme of the Orientalist tradition emerges to act as a fetter on the modernization of the economy. This paradox is reflected in Amin's aphorism where he stated that Muhammad Ali, the 19th century ruler of Egypt failed to build a successful capitalist economy, not because he was "too Orientalist", but rather that he was not "Orientalist enough in his choices"(Amin 1985 cited in Ayubi 1995: 101-03).

While Amin offered an alternative explanation to those of Orientalism and modernization theory, his specific works examined here reflected a number of problems both in terms of his understanding of capitalism and his understanding of the Middle East, whereby historical specificity is sacrificed in the interest of theoretical abstraction. In the case of the Middle East, he did not sufficiently examine the historical development of the state or the struggles that shaped relations of surplus extraction and domination. Indeed, any discussion of the class nature of the state seems absent in his formulations. And finally, Amin's work privileged urban commercial relations at the expense of rural relations of production for the economic reproduction of Arab society. Given the numerical predominance of the peasantry,

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[37] A more recent adaptation of Dependency Theory has been applied to the case of the Middle East by Raymond Hinnebusch (2003) who argues that the 19th century penetration of the Middle East by Western superior military power and technological expertise relegated the Middle East to a position of a dependent in the capitalist world market. During the inter-imperialist rivalries of early 20th century, the region was carved into states by outside powers. The Middle East was thus incorporated into the world systems as exporter of primary commodities and became part of the periphery.

and given the overwhelming importance of agriculture to the subsistence needs of the majority of the population, this urban, commercial bias overstates the degree of 'modern' economic development characteristic of the various states in the region.

The critique of Amin aside, in general, dependency theory leaves little room for variations in national development as it places its focus on dependent development and imperialism within global exchange flows (Laclau 1971: 37-38). By making the key unit of analysis the world market, internal social forces have not received adequate attention in terms of the way that some forces form specific social property relations, production structure and states that become integrated into the world market. For instance, Wallerstein (1974: 406) argued that political struggles and ethno-national conflicts were important *insofar as* they were analysed in terms of their significance for the functioning of the world economy. Given these shortcomings, Portes outlined the task of sociology of development to be that of attaining a "close familiarity with the internal problems of 'peripheral' societies and the external constraints under which they must survive" (Portes 1977: 127).

Heterodox Political Economy

What I have considered as part of heterodox political economy includes an eclectic mix of neo-Weberian and rational choice propositions that date to the 1970s when studies of the Middle East became more firmly grounded in the historical development of the state. While these works take state institutions more seriously than previous studies, they too reproduced elements of orientalism and modernization theory by explaining the lack of economic development in the region as a result of a political culture that is considered to be "deeply entrenched" and difficult to change (Waterbury 1997). Clement M. Henry and Robert Springborg (2001) for instance reproduce the trope of 'Oriental Despotism' through their characterization of the bureaucratic states of the Middle East as 'strong states' looming over a weak 'civil society'. Middle Eastern states are depicted as being too centralized, bureaucratic and powerful, thereby impeding the development of a free market economy. Henry and Springborg (2001) link the lack of development in the region not to socio-economic factors but to political factors that shape the response of the rulers in the region. They identify the same factors that the IFIs have identified as impediments to the region's development, namely an overgrown and bloated state sector, oil rents and authoritarian elites (2001: 6-8). While to some extent, this draws much needed attention to political institutions, it also reproduces the essentialist cultural stereotypes characteristic of the old orientalist approaches to the region. As an example of this, Springborg (2009: 8) recently argued that, "beset with political apathy and violence, the Arab world conspicuously lacks participatory political behaviour consonant with and supportive of democracy."

Another problem stemming from the eclectic nature of the political economy literature relates to the way in which allegedly 'critical' approaches to political economy have tended to support neoliberal reforms. John Waterbury's and Alan Richards' (1990; 1996; 2008) survey of the political economy of the region reveals a problem that lies at the core of some of the more recent studies of political economy of the region, a problem that pertains to a relative lack of analytical rigour. Waterbury's (1978; 1983) earlier work was influenced by dependency theory and therefore paid some deference to the concept of class. The first edition (1990) of the collaboration with Richards was organized around the interplay of three concepts: state, class and economic development. The second and third editions of the book (1996; 2008) have excised class from the analysis and substituted it with the rather ambiguous concept of 'social actors'. This move away from class analysis to social actors is reminiscent of the civil society literature that proliferated in the 1990s and served as an often unwitting ally of the neoliberal agenda prescribed by IFIs. Many of the scholars who fall under the category of eclectic political economy have embraced a neoliberal critique of the statist models in the region.[38] The alignment of scholarly work on the region with the interests of international financial institutions was reflected in a number of works of political economy produced during the 1990s and 2000s.[39]

[38] Waterbury and Richards (2008) admitted that they uncritically accepted the wisdom of the Washington Consensus to which they dedicated a whole chapter in the second edition (1996) of their book.

[39] Some of the more prominent examples include: Bent Hansen (1991); Nemat Shafik (1997); Alan Richards (2001); Henry and Springborg (2001); Khalid Ikram (2006).

Roger Owen's work is an exception in the sense that, given his background in economic history, his approach is more historically oriented and rooted in archival evidence. Unlike other scholars who see states in the region as ossified structures, Owen's (1992) analysis shows a complex historical understanding of states and the contentious nature of power in the region. His recent work (2000) eschews the essentialist cultural categories of other scholars and has been at the forefront of a revisionist history of the region that attempts to challenge existing interpretations through new archival evidence from the region.

Thus, there is still a need for an examination of the social relations of the region by looking at the changing nature of rule and domination in the context of globalization, and the new patterns of resistance and struggle that have shaped the contemporary histories of the region. Samih K. Farsoun and Lisa Hajjar (1990: 191) emphasize the need for development theories that are informed by empirical evidence. They write:

> Theory in isolation from empirical validation would produce flawed and acontextual theoreticism. Likewise, any development or modification of empirical categories devoid of theoretical guidance and structuring would produce sterile surveys with little relevance...What is needed is an approach in which theory and method are coordinated to devise an analytical framework and a discourse to fit the Islamic Middle East.

In a similar vein, Ilan Pappe (2005: 12) argues that any study of the Middle East needs to emphasize the importance of the interaction of social relationships between elites and non-elites, and between domestic and external forces:

> ...the history of the Middle East should be written as much as a history of non-elites as of elite groups, a history of change but also of continuity and of external but also internal dynamics of development. It should make room not only for the narratives of the exploiters but also for those of the exploited, of the invaders but also for the invaded, and of the oppressor but also of the oppressed.

These calls for a critical reassessment of the Middle East, an assessment purged of Orientalist assumptions, forms the basis of the beginning of a more historically informed account of the nature of change in the Middle East in general, and Egypt in particular.

Historical Materialism and the Political Economy of the Middle East

In light of these critiques of the existing approaches to the study of development in the Middle East, this dissertation will present an historical materialist analysis of the changing pattern of social property relations in Egypt. As Bromley (1994: 34) argues, historical materialism offers a "working hypothesis and methodology which does not build culturally specific judgements into its explanatory concepts." The experience of modernity in the Islamic and Arab world can be grasped in terms of the "development and uneven consolidation of certain historically specific sets of social relations, as well as the distinct social forms, forces and struggles that these give rise to." Bromley proposes a set of guidelines for a fruitful study of state formation in the Middle East and North Africa. First, he suggests that a study of state formation must link the development of state apparatuses and institutions to the changing forms of social relations that underlie the material production of a society. Second, there is a need to situate the pattern of state formation within the larger context of expansion of the state system and capitalist world economy and examine the local responses to such global processes of change. Finally, state formation must be studied in a historical manner, which requires a study of social conflicts and the way these conflicts reproduce and transform older forms of dominant social relations. Keeping in mind the suggestions of Bromley, I bring in Harvey's concept of 'accumulation by dispossession' and Wood's notion of 'market dependence' in order to explain the process of integration of the Middle East into the capitalist world market.

Capitalism is an inherently crises ridden mode of production. It is inherent in the logic of capital to engage in constant commodification of new spheres of life in capitalist centres and expand beyond existing geographical boundaries in order to reproduce itself. For Harvey, the reason for this expansion is located in the crisis of over-accumulation, which requires a "spatio-temporal fix" (2003: 88). A spatio-temporal fix refers to the profitable ways that surplus capital seeks in order to avoid devaluation. Since the 1970s, 'accumulation by dispossession' has emerged as the dominant spatio-temporal fix adopted by capital and becoming the main strategy for reproduction of capitalist social relations. Accumulation by dispossession refers to the manner in which assets – labour and resources – are released from communal regulation and into the sphere of the market whereby capital bring them into the circuit of value. Accumulation by dispossession can occur either as a way of resolving a crisis of over-accumulation in capitalist centres or it can be carried out by "determined entrepreneurs and developmental states" who want to "'join the system' and seek the benefits of capital accumulation directly" (Harvey 2003: 153).

Marx's (1976: 874-75) use of the notion of 'so-called primitive accumulation' referred to a specific historical moment that initiated the rise of capitalism and paved the way for capital accumulation on an expanded scale.[40] This 'pre-history' of capitalism was a violent process of accumulation through the enclosures of land, the commodification of resources and the transformation of non-market forms of use-value into value. Consequently, direct producers were rendered market dependent as non-market access to means of production and social reproduction were removed. For Harvey, the concept of 'accumulation by dispossession' conveys a central strategy in the continual expansion of capitalism and therefore is not limited to the pre-history of capitalism. Given this ever present reality at the core of the capitalist system, Harvey proposed to substitute 'accumulation by dispossession' for Marx's earlier concept of 'so-called primitive accumulation'.

[40] Marx (1976: 874-75) wrote: "So-called primitive accumulation, therefore, is nothing else than the historical process of divorcing the producer from the means of production. It appears as 'primitive' because it forms the pre-history of capital, and of the mode of production corresponding to capital." However, in a later passage, Marx clarified that different countries experienced this process in different ways and at 'different historical epochs' allowing us room to argue that the current process of 'primitive accumulation' is linked to the global expansion of capitalism: "In the history of primitive accumulation, all revolutions are epoch-making that act as levers for the capitalist class in the course of its formation; but this is true above all for those moments when great masses of men are suddenly and forcibly torn from their means of subsistence, and hurled onto the labour market as free, unprotected and rightless proletarians. The expropriation of the agricultural producer, of the peasant, from the soil is the basis of the whole process. *The history of this expropriation assumes different aspects in different countries, and runs through its various phases in different orders of succession, and at different historical epochs*" (1976: 876, added emphasis).

Since the 1970s, Harvey contends that the crisis of over-accumulation in the capitalist core has sparked a wave of accumulation by dispossession carried out through financialization, devaluation and the "opening up of new territories to capitalist development and to capitalist forms of market behaviour" (2003: 156). Notable instances of accumulation by dispossession include the mass privatization of resources after the collapse of the former Soviet Union and the opening up of China to global capital. Other forms of accumulation by dispossession are contained in the devaluation of assets carried out through structural adjustment programs (from here on referred to as SAPs) administered by the IMF.

The notion of accumulation by dispossession can be supplemented by Wood's (1994; 2002; 2003) conception of market dependence and market imperatives.[41] Wood looks at two issues: first, the conditions that render direct producers and appropriators market dependent; and second, the compulsive nature of capitalist market imperatives. For Wood (2002: 55) capitalism is defined by the fact that appropriators and direct producers are dependent on the market for their means of subsistence. For the appropriating classes, this requires the elimination of 'extra-economic' forms of surplus extraction which are "carried out by means of political, juridical, and military power." In pre-capitalist societies, extra-economic forms of surplus extraction are often exercised through the state itself – something that Brenner (1993: 652) refers to as 'politically constituted property'. For direct producers, market dependence requires the elimination of non-market access to the means of subsistence, be it in the form of land, labour or tools.[42]

[41] Wood argues that Harvey's notion of accumulation by dispossession is more about accumulation of wealth for the purpose of reinvestment – in other words an opportunity – whereas to Wood accumulation by dispossession is fundamentally about the transformation of social property relations (Wood 2006: 23-24).

[42] Marx (1976: 874) declared private property as the historical outcome of conquests, enslavement, robbery, murder and, in short, forced. During the last third of the fifteenth century, "the great feudal lords, in their defiant opposition to the king and Parliament, created an incomparably larger proletariat by forcibly driving the peasantry from the land, to which the latter had the same feudal title as the lords themselves, and by usurpation of the common lands...The dwellings of the peasants and the cottages of the labourers were razed to the ground or doomed to decay [in order to make way for the sheep walks]" (1976: 879). Primitive accumulation also entailed the expropriation of Church estates whereby "The estates of the church were to a large extent given away to rapacious royal favourites, or sold at nominal price to speculating farmers and townsmen, who drove out the old established hereditary sub-tenants in great numbers, and threw their holdings together. The legally guaranteed property of the poorer folk in a part of the church's tithes was quietly confiscated" (1976: 881-82).

It is under conditions of market dependence that the market transforms from a realm of *opportunity* to a realm of *compulsion.* Wood (1994: 15) argues that the "distinctive and dominant characteristic of the capitalist market is not opportunity or choice but, on the contrary, compulsion." What this means is that, under capitalism, individuals are compelled to enter into social relations that are defined by the imperatives of competition, accumulation and profit maximization and increasing labour productivity in order to reproduce themselves:

> The specific precondition of capitalism is a transformation of social property relations that generates capitalist 'laws of motion': the *imperatives* of competition and profit-maximization, a *compulsion* to reinvest, and a systematic and relentless *need* to improve labour-productivity and develop the forces of production (Wood 2002: 36-37).

Thus, in the absence of 'extra-economic' forms of surplus extraction available to appropriating classes (in this case, the capitalist class), and the elimination of non-market access to the means of subsistence imposed on the direct producers, there is no simple 'exit' from the market.

Wood's (1994: 16) account of the history of the market is a much needed corrective to mainstream accounts of capitalist development resulting from the removal of "age-old constraints" such as cultural and political 'fetters' on commercial practices. Such accounts imply that a pre-existing capitalist rationality is hindered by 'traditionalist' forms of culture and morality; and it also implies that these traditional forms of behaviour are fundamentally 'irrational'. The removal of these fetters will result in the liberation of economic rationality and result in the creation of a capitalist market. While it is the case that in pre-capitalist societies markets were a "subordinate feature of economic life, dominated by other principles of economic behaviour" it is also the case that "these markets…operated according to a logic quite distinct from that of the modern capitalist market" (1994: 21). Far from being 'irrational', pre-capitalist markets were embedded in what Thompson (1971) called a 'moral economy' of non-commodified conceptions of the *just price* that related to the material realities of communal life. For Wood (1994: 20), it is under capitalism that "social relations are embedded in the economy"; and this entails the violent transformation of social property relations *and* political culture.

Taken together, Harvey's and Wood's concepts illuminate the process of neoliberal reform in Egypt. While Harvey's notion of 'accumulation by dispossession' focuses on the accumulation strategies employed by the capitalist class that require the dispossession of direct producers, Wood's notions of 'market dependence' and 'market imperatives' illuminate the processes involved in creating a market dependent capitalist class in Egypt that is subjected to the disciplinary imperatives of the market. The process of neoliberal reform in Egypt can be seen as a multi-faceted process of universalizing conditions of market dependence amongst both the newly constituted capitalist class and the direct producers (peasants and workers). In terms of the former, this entails a transformation of the Egyptian state into a capitalist state geared towards the enforcement of private property rights in a way that precludes its use as a form of 'politically constituted property' in its own right. In terms of the latter, this entails a process of separating them from the non-market access to their means of subsistence through a process of 'accumulation by dispossession' – in this case, the commodification of land and housing.

Accumulation by Dispossession under Neoliberalism

The crisis of over-accumulation in the central capitalist economies in the 1970s provoked a global response by the U. S. state through its control of international financial institutions like the IMF. What became known as 'globalization' entails the internationalization of capital whereby finance is freed from institutional and spatial regulations and able to move freely and at unprecedented speed across the globe (Gamble 2009; Berberoglu 2003; 1987). The freedom gained by finance capital is often associated with a reorientation of state power away from Keynesian forms of fiscal policy and economic regulation towards monetarism and greater market regulation of economic production and commercialization of states. This phase of dominance of finance capital has become known as neoliberalism.[43]

[43] The Washington Consensus was presented in 1989/90 as a background paper at a conference at the Institute of International Economics with the main goal of assessing the relevance of development

Neoliberalism as an ideological framework dates back to the 1930s and rests mainly on ideas expounded by Friedrich von Hayek, Ludwig von Mises and Milton Friedman. As a political project it was not until after the crisis of over-accumulation of the 1970s that it emerged as a serious contender to Keynesianism.[44] Neoliberal ideas found their way into a policy framework under Margaret Thatcher in Britain and Ronald Reagan in the US in the early 1980s. Internationally, the IMF and the World Bank imposed neoliberal policies on countries in need of international credit in the 1980s. By the early 1990s, neoliberal policies were grouped together into a more coherent international policy framework referred to as the Washington Consensus.[45]

The Washington Consensus contained two primary goals: first, to dismantle welfare states in the North and developmental states in the South; and, second, to generalize capitalist market relations on a global scale. These goals were laid out in policies that prescribed the eradication of the redistributive role of the state, the promotion of the private sector in all areas of society and the economy, and the creation of a citizenry independent of any economic reliance on the state. In the global South, these policies have entailed a process of 'disciplinary integration' culminating in the destruction of different 'value practices' and their subsumption by the 'capitalist value form' (De Angelis 2007: 80). The Washington Consensus discourages state intervention in the economy and prescribes the removal of the state from production in order to promote the forces of the free market. The Post-Washington Consensus, associated with Joseph Stiglitz, revised this particular role of the state by arguing that the state should "intervene to create the right kind of institutional setting within which markets can function" (Gamble 2009: 71). The latter policy was followed through in developing countries such as in Latin America and in the second half of the 1990s in the Middle East. Both incarnations of the Consensus represent different strategies of neoliberal development.

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economics as it had been practised in Latin America. The Consensus identified the developmental state and its policies as the reason for the economic crisis of the 1980s. To resolve the crisis, the Consensus proposed the following: fiscal discipline; reducing public expenditure; reform of the tax system; liberalization of interest rates and trade; privatization of state enterprises; deregulation in favour of private investment; and the protection of property rights. For the history of the neoliberal shift in economic policy in response to the crisis of capitalism in the 1970s, see: Harvey (2005), Gérard Duménil and Dominique Lévy (2004), and Andrew Gamble (2009).

[44] For a history of neoliberal ideology, see: Rachel Turner (2008) and Philip Mirowski and Dieter Plehwe (2009).

[45] See: Gamble (2009); Wood (2003); and Harvey (2005).

The recent developments in the MENA region constitute an integral part of the expansion of capitalism as a global system. The rapid transformation of social relations in the region over the past two decades has been facilitated by the rise of a global neoliberal orthodoxy. While the coercive forces of the market are presented by neoliberal policy makers as liberating the potential of the market, critics have argued that, in reality, neoliberalism has involved "extensive and invasive interventions in every area of social life", in the sense that it has imposed "a specific form of social and economic regulation based on the prominence of finance, international elite integration, subordination of the poor in every country and universal compliance with US interests" (Saad-Filho and Johnston 2005: 4). In short, the expansion of the neoliberal project is paramount to generalizing the imperatives of the capitalist market and, in the process, creating a new set of rules and laws that sanction the newly created power of capital.

Indeed, the generalization of market dependence through the expansion of market imperatives is what characterizes the current phase of capitalist development in the MENA region where SAPs were modelled on neoliberal policies adopted earlier by Thatcher and Reagan. SAPs targeted government budgets by cutting spending, improving tax collection, reforms of the monetary system and the foreign exchange in order to reduce inflation, deregulation of the market and reduction of external trade barriers in order to encourage foreign private investment (Murden 2002). A process of accumulation by dispossession has been underway in Egypt's countryside whereby neoliberal policies of privatization of land facilitated the dispossession of thousands of peasants and small farmers. This process of accumulation by dispossession has entailed what Harvey (2003: 74) described as the "commodification and privatization of land and the forceful expulsion of peasant populations, conversion of various forms of property rights...into exclusive private property rights, suppression of rights to the commons; commodification of labour power and the suppression of alternative, indigenous, forms of production and consumption." It is this regional process of 'accumulation by dispossession', with the intent of generalizing the relations of 'market dependence', that is the topic of the next chapter.

State and Class

Defining the state as a universal entity is a difficult task as the state has evolved differently across space and time. As an analytical unit, the state emerged as a coercive apparatus that facilitated accumulation for particular ruling elite while also attempting to establish the legitimacy of rule by the elite. The degree to which a ruling elite succeed in accomplishing the delicate task of balancing accumulation and legitimacy determines the stability of the state. Max Weber in Politics as Vocation (1919) defined the state as an entity that has monopoly over the legitimate use of force within a territory. This definition refers to the modern nation state which coincides with the centralization of power and the diffusion of localized claims over power. Weber's definition of the state however, remains descriptive and leaves out the reasons for the rise of the state and the class dimension of the state, attributing to the state a form of objectivity with which it rules over citizens of a territory.

Some scholars would object to such a characterization of the state. For instance, Roger Owen and Joel Migdal have argued that the state as a concept is based on the European experience of the rise of modern states and that it lacks sufficient explanatory power when used in the case of the Middle East. They argue that what is commonly understood by state conveys the specific set of historical struggles, economic development and social groups that were unique to Europe (Owen 2004; Midgal). Owen borrows Migdal's definition of state which Owen argues is "better tailored to analysis of non-European political entities than any of its competitors." According to Midgal, a state "'is an organization, composed of numerous agencies led and coordinated by the state's leadership (executive authority) that has the ability to make and implement the binding rules for all the people as well as the parameters of rule-making for other social organizations in a given territory, using force if necessary to have its way'" (Owen 2004: 3).

Emphasizing the European roots of the analytical concept 'state', Ayubi wrote:

> 'state' is a phenomenon and a concept whose origins and precursors can be specified. Geographically and historically it is a European phenomenon that developed between the sixteenth and the twentieth centuries. Juridically, it is premised on the idea of law as general, impersonal rules. Organizationally, it is associated with unity, centralization and functional differentiation (the

> so-called 'legal-rational type' with its bureaucracy and public servants). And economically, its rise has generally accompanied the development of capitalism and the rise of the bourgeoisie, including the need for extending and controlling the market, and for spreading and standardising the process of commoditisation within it, so that it included human labour as well (1995:10-11).

I would propose that a Marxian definition of the state, without resorting to economic determinism, can illuminate the role of the state (both in the context of contemporary capitalism, but also in pre-capitalist class societies).

While there is no clear discussion theory of State in Marx and Engels's works, there is one particular passage from the Communist Manifesto that has been widely referred to as a Marxist definition of the state: "The executive of the modern state is but a committee for managing the common affairs of the whole bourgeoisie." The key word here is the 'modern state' whereby Marx is clearly referring to the state in capitalist societies under his study. Transplanting this interpretation of Marxist understanding of the state to post-colonial societies implies that the state in the latter societies have developed sufficient level of bureaucratic capacities to secure the interests of the ruling classes.

As Colin Leys pointed out, such an analysis of the state which starts by analysing the superstructure (bureaucracy, military) and then moves on to see how these apparatuses serve the interests of ruling classes is a mistaken starting point. Rather, the analysis should begin by examining ruling class interests as they are being formed through class struggle and the ways in which the ruling classes manage to secure their interests through the state. This analysis conveys a dynamic and changing relationship between ruling classes and the state while situating the changes in this relationship within the broader context of class and social struggles. This analysis treats the state as an evolving entity rather than a static set of institutions frozen in time and immune from change. These suggestions of Leys force us to consider the class nature of the state and how the state transformed in response to the evolving ruling class interests as a result of inter and intra class struggles (See Leys 1976).

Marx's understanding of the state places ruling class interests at the centre of the state, especially the modern capitalist state that has played a central role in the development of capitalism. More specifically, in the context of contemporary capitalism, Marx viewed the state as a guarantor of the conditions conducive to the processes of capital accumulation. Depending on the vantage point one adopts, the state in a capitalist society could be seen either as an instrument of securing ruling class interests or as a set of "socioeconomic structures that establish both the limits and requirements of a community's political functions" (Ollman 2003: 110). In fact, the capitalist state performs both these roles.

A discussion of Marxist theory of the state is useful in that it highlights the class nature of the state and reveals the true nature of the state as a social power and not as an abstract entity or organization that is an objective mediator over all social groups. It is precisely this class dimension of the state that makes it a contested sphere, both among ruling groups/classes and by oppressed groups. In other words, the state is directly involved in class struggle through introduction of laws and by legitimatizing the whole economic system, legal and ideological institutions (Ollman 2003: 138). This is what is unique about Marxist theory of the state that lacks in Weberian and other variants of institutionalist theories of the state.

When speaking about the state in the Middle East, I am referring to the modern states that emerged after the collapse of the Ottoman Empire and have taken shape in the course of twentieth and early twenty first centuries. Subsequent events such as the two World Wars and the collapse of British and French empires, the rise of American power and the Cold War shaped the political trajectory of states in the Middle East and North Africa. Domestically, attempts by nationalist, socialist and Islamist groups to leave their imprint on the new societies influenced the nature of the state and state policy in the modern period. Attempts at building coherent, centralized states by ruling elites faced numerous challenges. The outcome of colonial demarcation of state boundaries and the pre-existing tribal ties proved as major hindrances to consolidation of the state as a centralized legitimate power. Viewed as a foreign imposition, states were resisted not only by elites who were excluded from the state by the colonial powers but also by tribes that retained their cohesion despite the emergence of modern states (Hinnebusch 2003). While this was the case in the first half of the twentieth century, post-colonial states embarked on reshaping these societies.

The Egyptian state in the post-colonial period (1952 onwards) was devised in the image of a modern nation state, with a huge bureaucracy undertaking the task of national development. What was distinct about the Egyptian state in this period was that it was influenced heavily by ideals of Arab Socialism (anti-imperialism, anti-Zionism, land redistribution through a progressive agrarian reform, an independent national economy and social justice) and thus the state did not act as an agent of ruling classes. In fact, the political forces that took control of the state stripped the former ruling elite from most of their political and economic privileges. To accomplish the tasks of national development, the post-colonial state established new allies among the workers and peasants. This period in the life of state as an instrument of radical progressive change however, was short. From 1970s onwards, the Egyptian state expanded its coercive apparatuses as well as the bureaucracy. However, the task of national development lagged behind contributing to a crisis of legitimacy of the state (O'Connor 1973).

What explains the precarious nature of state's in the Middle East and other parts of the developing world? Ayubi (1995) contends that countries that achieved independence prior to the advent of a global capitalist economy, such as in Latin America and the Balkans witnessed the emergence and consolidation of a domestic bourgeoisie and states that were capable of promoting the interests of their bourgeoisies globally. In the places such as the Middle East and Africa where post-colonial states developed after a capitalist global economy had been established, both the bourgeoisies and states remained weak and subordinate to other global actors that had experienced a head start. Consequently, bourgeoisies in the latter cases remained heavily dependent on their states.

The interventionist role of the state was shunned after the collapse of East Bloc in the 1990s. Along with other states in the developing world, in the context of neoliberal globalization, the Egyptian state became the subject of experiment by the ideologues of the "free market." With a keen interest in promoting the role of the private sector in the economy, these proponents of the neoliberalism viewed the state as an obstacle. The decades of the 1990s and after, the Egyptian state was stripped of its progressive elements as proponents of neoliberalism, both inside and outside of Egypt, began remaking the state so that it could facilitate capitalist accumulation in the context of deeper integration. In Egypt, after 1991 that we witness the consolidation of the power of a ruling class and the concomitant changes in the state reflecting this cohesion of the ruling class (discussed in Chapter Seven). Thus, an understanding of the state entails understanding ruling class interests in different historical periods and the challenges posed to such interests either by other factions of the ruling classes or by workers and peasants.

Conclusion

This chapter surveyed the literature that has interpreted the nature of development and the experience of modernity in the Middle East. More specifically, the chapter discussed the contributions and limits of Orientalism, modernization, world systems and dependency theories. The main concern of this chapter was to show the absence – within these theories or their modified versions – of theoretical sophistication and historical grounding that could take account of the changing nature of social relations of rule, domination and surplus extraction within the context of an evolving and expanding capitalist system.

In order to fill this gap, the chapter introduced two key concepts: accumulation by dispossession and market dependence. I argued that the introduction of market imperatives through the liberalization of economies in the MENA countries and in Egypt rendered workers and peasants market dependent. I argue that the social transformations and struggles that shape the Middle East in the contemporary period can be best understood through an application of these concepts. In Chapter Three, I apply these concepts to a discussion of neoliberalism in the Middle East and in Egypt.

Chapter 3. Neoliberalism, Property and Housing in the Middle East

This chapter provides an overview of capitalist development in the Middle East over the course of the twentieth century, with an emphasis on the neoliberal form of capitalism that has become dominant over the last two decades. Prior to neoliberalism, other factors such as colonialism and etatism left deep marks on the political and socio-economic outcomes in the region. However, there were variations of outcome given the natural endowments, social structures and political struggles of each country in the region. Nonetheless, in the 1980s, most countries in the region experienced socio-economic crisis which were resolved by embarking on a neoliberal model of development in the 1990s. The experiment with neoliberalism, although enriched the ruling class, it did not resolve the wide range of socio-economic problems that workers and peasants were suffering from. Indeed, the ruling class's formula for enrichment entailed a further impoverishment and disempowerment of workers and peasants.

To elaborate these developments, the first section of the chapter summarizes developments in the political economy of the MENA region and Egypt in particular, from the collapse of the Ottoman Empire to the 1970s. The second section outlines the crisis of Middle East economies in general, and Egypt in particular, during the 1980s. The third section provides an overview of the shift towards a neoliberal development model in the 1990s, the character and impact of reforms and the new socio-economic forces that are driving the reform process. The fourth section discusses the larger social and political transformations that the development of neoliberalism in Egypt entails regarding the nature of the state and the character of social property relations. The final section provides a brief assessment of neoliberal reforms in Egypt, emphasising the persistence of corruption and economic crisis and the heightening of social conflict.

Capitalist Development in the Middle East

The Middle East has been undergoing a radical social transformation in its recent history. In the words of Ilan Pappe (2005: 13): "The history of the Middle East is a contemporary historiography of a contemporary process." The twentieth century has witnessed three distinct historical periods during which social property relations have undergone significant changes: the collapse of the Ottoman Empire and the division of its provinces by the British and French (1922-1952); the period of decolonization and the building, consolidation and crisis of statist models of development (1952-1991); and the post-Cold War advance of the neoliberal model of development (1991 to the present). In the case of Egypt, the period between 1922 and 1952 represented an initial period of formal independence from British colonial rule that did not signal a profound break with the patterns of development or the social property relations dominant in the 19th century. The revolution of 1952 introduced a particular Arab socialist state-led development model – a form of ISI – under the presidency of Gamal Abdel Nasser (1952-1970) that decisively broke from the pattern of development of the previous period. In 1991, after a decade under the rule of Mubarak, Egypt underwent a shift to neoliberalism, which is characterized by a process of accumulation by dispossession in the attempt to generalize conditions of market dependence throughout society. In each of these distinct phases, power relations have been restructured in conjunction with the existing set of property relations.

During the first phase, the collapse of the Ottoman Empire led to the forging of modern Middle Eastern states under the influence of the colonial powers of Britain and France (Halliday 2005; Owen and Pamuk 1998; Bromley 1994). In the Arab world, the Sykes-Picot Agreement of 1916 gave Britain control over Iraq, Egypt, the Gulf States, Saudi Arabia and Iran. France gained the Levant states while holding on to Algeria, Tunisia and Morocco. During this period, new ruling elites, such as the Al Saud family in Saudi Arabia, consolidated their power while other newly formed states, notably Iran, Turkey and Egypt, engaged in a period of extensive state building. While Egypt was granted formal independence from British colonial rule in 1922, it remained tied to British imperial interests. Despite some agitation from nationalists, the urban economy was linked to the export of cotton and failed to develop industries that could absorb the rural surplus labour. Throughout this period, Egyptian society was dominated by the ruling family and a small group of landed families that owned most of the agricultural lands of the country while most peasants and small farmers lived in impoverished conditions. The dominance of the cotton producing fraction of the landed class and the cotton exporting bourgeoisie signified a general continuity with 19th century social property relations.

World War II weakened the colonial powers of Europe and set in motion a wave of anti-colonial struggles across the Middle East. It was in this context that large-scale industrialization and domestic socio-economic projects of state formation took off. Two particular paths were pursued in the immediate post-war period. In republican states such as Egypt, Iraq and Syria, progressive nationalism guided state policies. In these cases, the adoption of radical nationalism and Arab socialism resulted in a progressive redistribution of land and the implementation of policies in the interests of workers and peasants. As a result, this period witnessed the emergence of a new set of property relations that reflected a new balance of social forces. Egypt led the Arab world with the first nationalist revolution in 1952.[1] In general, the period under Nasser and the Free Officers – organized into the Arab Socialist Union (henceforth referred to as ASU) – witnessed a remarkable degree of change whereby the existing social relations of power were radically altered through national planning and a program of land redistribution (Wahba 1994; Ansari 1986; Waterbury 1983; Cooper 1982; Hopwood 1982).[2]

In the conservative monarchies of Saudi Arabia, the Gulf States, Jordan and Morocco, elites continued to hold on to their power by reaching 'post-colonial' arrangements with the U. S. and their past rulers. The social property relations in these cases remained relatively unchanged during the first three decades of the post-war period. In the region as a whole, a kind of 'social contract' between the states and citizens emerged that attempted to form nascent welfare states and advance industrialization. The outcome for the popular classes of the region was, on the

[1] While a military coup in Syria in 1949 brought to power a peasant based military government, the period between 1949 and 1954 was of great instability characterized by a series of coups and counter-coups. This prevented the implementation of any coherent revolutionary program capable of transforming the social relations of Syrian society.
[2] Debates over the specific character of the Egyptian state under Nasser are discussed in Chapter Five.

whole, positive in the sense that economies grew at a remarkable pace enabling those states to invest in health care, education, housing and other public services.[3]

The progressive nationalist development projects were affected by regional factors such as the various wars with Israel, and international factors like the Cold War and American opposition to progressive nationalism. In Egypt, the un-doing of the Nasserist programs began in the 1970s as a result of Sadat's macro-economic 'infitah' or 'open door' policy. The policies of infitah embodied in Law 43/1974 were intended to attract foreign investment (specifically Arab capital). The implementation of infitah required the purging of pro-Nasserist elements from the state, bureaucracy, local governments and the ruling ASU led to the creation of a new party organization: the centrist National Democratic Party (NDP hencforth). It was under infitah that the landed class, in alliance with an emboldened mercantile bourgeoisie and through the newly formed NDP, began to regain their lost privileges and assert their power (Waterbury 1983; Cooper 1982). While policies of infitah were intended to increase flow of foreign investments to Egypt, the result remained less than impressive. The absence of necessary infrastructure to support an intensive industrialization program, transportation problems and unskilled labour forces were noted as some of the prominent factors that discouraged private investors (Ansari 1986). Workers and peasants in general did not benefit from infitah; however, one particular group that became known as the 'commercial agents' including actors from a wide range of social and political groups enjoyed the benefits of economic relaxation (Zaalouk 1989; Aulas 1982; Cooper 1982; Waterbury 1983). The expansion of mercantile activities increased the social power of the commercial classes, which included technocrats, state officials, as well as skilled workers who worked in the Gulf States. Although new at leveraging their economic power, these groups struck alliances with each other in order to guarantee the reproduction of their wealth derived from finance and trade sectors (Ayubi 1991).

In general, the policies of infitah encouraged private investment and did not support the social programs developed under Nasser, and increasingly distanced

[3] In the long term, this pattern of relationship resulted in populist authoritarianism whereby citizens were willing to give up a measure of their rights in return for services from the state (Yousef 2004). The downside was that it also resulted in lack of 'good governance' and increased corruption (Yousef 2004; Vandewalle 2003; Anderson 1995).

workers from the state. In the second half of the 1970s, Sadat's support among workers continued to decline with rising levels of inflation and rising food prices. It was in this context that the food riots of 1977 took place forcing Sadat to reverse his initial plans for liberalizing food prices.

Development and Neoliberalism in the Middle East and North Africa

The statist development strategies of the postwar period became increasingly untenable by the early 1980s when oil prices declined sharply (Beblawi and Luciani 1987).[4] The impact of this decline was not only felt by oil producing states but also by countries that relied on remittances from oil, such as Egypt. However, the resource rich monarchies of the Gulf, despite being more integrated into the world market, managed to shield themselves from the forces of market imperatives and thus did not resort to neoliberal disciplines in the same way as other Middle Eastern states. Resource poor states such as Egypt, Tunisia, Morocco and Syria gradually adopted the neoliberal model of development. Unable to downsize the public sector or finance the associated costs of wages and subsidies, the majority of Middle Eastern states faced a growing debt crisis. The most pressing problems for these states included an inability to provide jobs in the public sector, maintain wage levels and curb inflation. Other socio-economic problems included rising levels of poverty, inadequate housing and mounting health problems.[5]

Despite the fear of political disorder, governments of resource poor states such as Morocco, Tunisia, Jordan and Egypt implemented neoliberal policies articulated through the Washington Consensus framework.[6] Subsidies were cut, public expenditures reduced and exchange rate regimes reformed. Public sector firms were privatized, trade was liberalized and financial institutions were deregulated. In Egypt, the cost of public services increased dramatically while subsidies on petrol, electricity and food were cut. In Algeria, austerity resulted in the privatization of agriculture,

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[4] Ayubi (1993: 26) noted that the fiscal crisis of the MENA states was partly structural and partly conjunctural.

[5] Unemployment in the region averaged 15 per cent in the 1980s and early 1990s with fifty per cent of the unemployed between the age group 15-24 years (Yousef 2004: 102).

[6] Niblock (1993) covers the divergent solutions initially adopted by countries such as Algeria and Syria. It is only after the 1990s that a consensus emerges in the region supporting the path to a 'free market' as the only viable path.

liberalization of the financial sector and reform of public sector firms by allowing them the freedom to make decisions on sales and investments. Tunisia implemented the most thorough set of reforms in the 1980s, offering capital incentives such as the full repatriation of profits and full tax exemptions. Other reforms included: liberalization of the financial sector, privatization of the public sector, creation of free export zones, liberalization of trade, creation of joint ventures with foreign capital, and liberalization of consumer prices. Yemen and Morocco implemented a series of similar reforms. Iraq and Syria implemented the most limited degree of reforms. Neither of the latter two countries was subjected to external pressures from the IFIs given their isolation from the global economy.

Overall, the neoliberal reforms were adopted at a slow and uneven pace, leading to increased pressure by the IFIs to accelerate the process by the beginning of the 1990s (Shafik 1997). The IFI's increasingly pushed for the dismantling of statist policies that obstructed capital accumulation and deeper integration of the region into the global economy. An increasing number of 'obstacles' to liberalization were identified:[7] land reform; rent controls; regulations on land and the extraction and sale of resources; labour laws and other labour market 'rigidities' that protected workers; the presence of public sector credit institutions;[8] and the absence of clearly defined rights of private property. Along with the contested nature of reforms, these impediments discouraged investment in the region. Domestically, new laws were pushed through to further dismantle these obstacles.[9] Business leaders demanded a number of significant reforms: a liberalization of labour markets; infrastructure development through public-private partnership schemes; legal reforms to facilitate investment flows; economic diversification and investment in information and

[7] Assessments of the economic crisis in the region were predominantly done by pro-'free market' intellectuals. Such scholars included: Safadi (2003); El-Said and Harrigan (2006); Srinivasan (2003); Richards 2001; El-Erian and Sheybani (1997); Gentzoglanis (2007).
[8] Gentzoglanis (2004) argued that both state intervention in the financial markets and the absence of regulatory mechanisms discouraged private sector activity as investors were not given assurance. Consequently, financial integration did not reach its goals in Egypt as the financial market remained dominated by the four biggest state banks that also controlled more than half of the market activity (Gentzoglanis 2007).
[9] However, privatization remained a contentious issue both due to regimes' concern for social stability and due to pressures from workers to resist such policies (El Said and Harrigan 2006; Yousef 2004; Abootalebi 1999).

communication technology; a broadening of the energy sector; and, finally, investment in workers through education and training.

Left with few options, especially amongst the non-oil producing countries, the shift to a neoliberal model became the 'common sense' solution among the elite across the region, although the pace of reform remained a contested issue. By the end of the 1990s, the dominant framework became the neoliberal model prescribed by the international financial institutions. The debate, which previously focused on different models of development, was now narrowed down to neoliberalism: any disagreements over policy focused more on the pace than direction of policy from this point onwards.

Neoliberalism in Egypt

In Egypt, the neoliberal model of development would be gradually adopted under Mubarak. Three phases of neoliberalism can be identified. The first phase spans from the mid-1980s to 1990, and is characterized by reluctant reforms undertaken in the context of high levels of unemployment. While the period from 1991 to 2003 has been referred to as a "rapid transition to a market economy and global integration", there remained some disagreement amongst the ruling elite regarding the pace – but not direction – of the reforms (El Ghonemy 2003: 78-80). The period from 2004 up until 2010 represented the consolidation of neoliberal ideological influence and the rapid acceleration of the reform process.

Let us examine Egyptian economy's shift towards neoliberalism. In the face of a deteriorating economy in the 1980s, Egypt was pressured by the United States' Agency for International Development (USAID) and the IMF, as well as newly emerging domestic forces, to introduce free market reforms.[10] By the end of the 1980s, Egypt faced a serious decline in real income per head, a negative balance of trade, high levels of external debt – amounting to one and a half times GDP – and a huge fiscal deficit (El Ghonemy 2003: 7). Debt levels rose from $2 billion in the late

[10] Egypt had to pay back its military debt to the US, which amounted to $6 billion.

1960s to $21 billion in 1981.[11] Average real GDP growth rates declined from 7.4 per cent a year in 1980-1985 to 4.6 per cent for 1985-1990 (Ikram 2006; Richards 2001). Debt-servicing obligations between 1984 and 1987 increased by an average of $1.7 billion a year, and total debt exceeded $40 billion by June of 1987, equivalent to 112 per cent of GDP (Ikram 2006: 56). By 1990-91, the government was faced with a rising budget deficit (15.3 per cent of the GDP), high levels of debt and debt servicing obligations and an inflation rate of 14.7 per cent. This economic crisis was exacerbated with the return of millions of Egyptian workers from the oil exporting countries after the first Gulf crisis. Reforms introduced midway through the decade were incoherent and lacked an overall strategy for structural adjustment.[12] The committee negotiating with the IMF was constituted of old 'statist' elites, such as Kemal El Ganzoury and Atef Ebeid, who remained skeptical of IMF demands for budget cuts.[13] However, the severity of the economic crisis led to the signing of macroeconomic and structural adjustment deals with the IMF and the World Bank in 1991.

The Economic Restructuring and Adjustment Program (ERSAP) was signed in 1991, but was implemented in a series of three phases, ending in 2002. The program contained six components: a macro-economic stabilization program; privatization; price liberalization; trade liberalization; investment-friendly policies; and a social fund for creating labour intensive employment and the creation of micro-enterprises. In accordance with the program, the government introduced major cuts in general subsidies, introduced a new tax law, revived the stock exchange and liberalized land rents, removing Nasserist rent controls that had provided protection for tenants in rural and urban Egypt. ERSAP was also significant in that it resulted in over $20 billion of debt reduction, which reduced interest payments, and tied future debt reduction to the implementation of economic reforms (Ikram 2006; Richards 2001; Ayubi 1995b; Momani 2005).

[11] Throughout these chapters, I have used US dollars ($US) and Egyptian pounds (LE) as they appeared in the original sources.
[12] See: Kheir El-Din (2001); Momani (2005); Richards (1991, 2001); Ikram (2006); Bromley and Bush (1994).
[13] Reflecting the hesitance of the ruling elite and the Egyptian public towards IMF reforms, Mubarak famously described the IMF as "a quack doctor" (Hinnebusch 2001: 128).

A significant aspect of the reform program – which will be discussed in greater detail in Chapters Eight and Nine – was the passing of a number of anti-tenant laws – Law 96/1992 and Law 4/1996 – which further shifted the balance of power in favour of landlords and developers while clawing back the gains that had been made by workers and peasants under Nasser.[14] Law 96/1992 facilitated the privatization of Agrarian Reform lands and all other lands that fell under some form of customary tenure. Implemented in 1997, the law dismantled rent controls, abolished secure and inheritable leases. Rents were increased between 200 and 300 per cent, while short-term contracts replaced the secure land titles gained under Nasser. Most peasants unable to pay the new rents or the high purchase prices left the land and either migrated to the cities or became day labourers. This was a violent process whereby the state used armed forces to evict peasants, demolish houses and imprison those who resisted evictions.[15] The dispossession of agricultural land also meant the loss of housing and shelter for peasants, as most lived on the land they cultivated.

Law 4/1996 was designed to facilitate the creation of a private urban housing market by abolishing rent controls. Previously, according to laws passed under Nasser, tenants could inherit their leases and pass them onto their children while enjoying the benefits of rent control. The outcome was the deregulation of rents in a housing market that had lacked an adequate stock of affordable housing for workers since the early 1980s. As a result, it has become increasingly difficult for younger Egyptians to find housing; and even those who have access to housing constantly fear the collapse of their buildings as they are often intentionally left to decay by slumlords.[16]

These laws represent a form of 'accumulation by dispossession' through which an increasing number of Egyptians have become market dependent. While under Nasser rent control and public housing helped workers gain access to housing outside of the market, the dismantling of these policies under Mubarak has created an urban housing market. In rural areas, housing problems have spiked as a result of the

[14] The rent control law increased the amount of land owned by the peasants during the twenty years of its application. Rent control was quite crucial for access to land for two-thirds of the farming population's.
[15] The Egyptian Land Centre for Human Rights (LCHR), a non-profit organization located in Cairo has documented most of the cases.
[16] See: Chapter Eight on urban housing for numerous examples of this trend.

privatization of agricultural land and the mass eviction of peasants and small farmers. At the core of land policy under Mubarak was an attempt to attack and dismantle all other forms of access to land while promoting the rights of private property. Privatization of agricultural land redistributed land back to pre-Nasser era owners and to regional Arab investors interested in establishing massive agri-business projects. Tenants are subjected to harsher terms of tenancy that allow landlords to increase rents and/or evict tenants due to the proliferation of short-term rental contracts. As a result, over a million peasants and small farmers lost access to land and housing in the second half of the 1990s (Saad 2002: 124). By 1997, the year the new tenancy law took effect, the Land Centre for Human Rights reported that the number of deaths, mass arrests, incidents of torture, and injury at the hands of the police responding to land disputes, had increased across Egypt (LCHR 1998).

The signing of ERSAP represented a significant shift in the balance of forces in Egyptian society, in both socio-economic and ideological terms. Throughout this period, new domestic interests and powerful external actors had been pushing Egypt towards neoliberalism.[17] In the course of the 1980s, organizations such as the Egyptian Businessmen's Association, the American Egyptian Businessmen's Council, and the American Chamber of Commerce began to assert themselves more forcefully in an attempt to influence the policy making process.[18] The Chamber of Commerce (2007) praised the appointment of neoliberal economists and the implementation since 1991 of policies of privatization and liberalization. These organizations represented the interests of landlords and other proponents of liberalization who had opposed Nasserist policies since the revolution. The context of economic crisis was used to place the blame for the crisis on statist policies as a prelude to their dismantling.

During this same period, the class beneficiaries of Sadat's infitah policy had transformed the NDP into a more effective instrument of ruling class interests. Through NDP the differences among various business interests were overcome through the development of the kind of tripartite relationships between the state, local private sector and foreign capital that had been established in Turkey and Latin

[17] From the mid-1970s, the IMF, World Bank and USAID placed pressure on Egypt to move away from the statist policies of Nasser.

[18] USAID had a strong role in promoting the role of these business organizations in the policy arena, see: Kandil (1994: 264-65).

America in the 1970s (Bianchi 1985: 159). The increasingly neoliberal character of the ruling party would be consolidated by the end of the 1990s as an increasing number of neoliberal economists and technocrats would come to dominate the party's policy committees. This dominance within the party would be translated into governmental power as the number of cabinet positions given to neoliberal minded MPs increased after 2000.[19]

After 1991, this neoliberal bloc began reconstituting the state and using it to facilitate their accumulation strategies in a context of the rise of finance capital. A mutual recognition of interests allowed various factions of the ruling class to reach a consensus that materialized in the remaking of the Egyptian state and economy in the course of the 1990s. First, the Parliament and the Prime Minister gained more freedom in determining policy making and budgetary decisions. A series of special committees were formed through which members of parliament asserted their influence, signalling an increasingly independent role for the parliament in contrast to the pre-1991 period when decision making power was vested in the executive body of the state. A Presidential Decree No. 30/2005 transferred decision making power to the Prime Minister to approve investment projects. Another notable change was the elimination of ministries associated with the statist model of development, such as the Ministry of the Economy. The responsibilities associated with the ministry, such as fiscal and monetary policy, were transferred to the central bank (Law 88/2003). Furthermore, the Ministry of Investment was created in 2004 in order to improve the environment for private investment. Another notable change was the prominent role assumed by the Egyptian Supreme Constitutional Court (SCC). The SCC came to play a central role in settling disputes associated with liberalization and privatization – particularly related to property – in the course of the 1990s. Finally, electoral reform represented a process by which ruling class interests began to resolve their differences

[19] The Policies Committee, a secretive and powerful organ of the ruling National Democratic Party was headed by Gamal Mubarak – son of Hosni Mubarak. He had the support of neoliberal economists and policy makers such as Rasheed Ahmed Rasheed (then Minister of Foreign Trade), Youssef Boutros-Ghali (then Minister of Finance), Mahmoud Mohiedin, (then Minister of Investment), and Ahmad Nazif (Prime Minister 2004-2011). Almost all of the businessmen in the legislature were members of the NDP (30 per cent of Parliament). The list of business cronies incorporated within the higher echelons of NDP included figures such as Ahmed Ezz, appointed chairman of the NDP's secretariat for membership issues. Additionally, Ezz was chairman of Parliament's Budget and Planning Committee and a strong advocate of privatizing public services and phasing out state subsidies.

through formal, democratic institutions. This aimed to cleanse government ministries of such intra-class rivalries that were seen as impediments to the development of successful policies and accumulation strategies in an increasingly competitive global economic environment.[20]

Businessmen, who had merely 7 seats in the 1981 parliament, had secured 31 seats by 1991, and more than doubled their seats, reaching 71, by 1997. This rise in their number was reflected in a louder voice for business interests that came to play an important role in policy making after 2000.[21] As Kassem (2002) notes, prior to 2000, business organizations had to engage in informal networks in order to convey their concerns to individual ministers. In the 2000s, however, business interests were at the centre of policy making. An important think tank, the ECES, provided a forum for neoliberal ideas, as most of the cabinet ministers of this period were closely linked to the centre. Throughout the 1990s, the ECES opposed the slow pace of reform adopted by the government arguing that to resolve the crisis, a speedy pace was required.[22]

Support for neoliberal policies also had a strong international dimension. This support took the form of ideological justification and policy support provided by the IMF, the World Bank and USAID. The IMF had been pressuring Egyptian politicians for deeper public sector reforms for some time. Proponents of the private sector claimed that the Egyptian state had mismanaged public enterprises as they lacked the ability to respond to market indicators. The outcome was a bloated public sector that was inefficient in terms of service delivery and wasteful in terms of investments. Guaranteed employment and the scale of subsidies for public services and foodstuffs increased the burden on the state budget (World Bank 1989; USAID 1992).

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[20] See El-Mikawy (1999), Sadowski (1991) and Springborg (2003) on the politics of consensus building among the elite in the late 1980s and early 1990s. They show the emergence of a consensus among the various powerful groups of the dominant class was crucial towards the construction of the neoliberal project.

[21] Business pressure created a business friendly environment in Egypt after 2006. According to the *Doing Business Report* (2009), whereas in 2006 starting a new business entailed 13 steps, 43 days and cost 63 per cent of gross national income (GNI), by 2009, it took only 6 steps, 7 days and cost 18.29 per cent of GNI.

[22] Besides the ECES, another important organization – the Future Generation Foundation (FGF) – helped revamp the image of the new Egyptian elite by promoting foreign languages, computer technology, skills and training for entrepreneurs and managers. FGF was sponsored by some of the major land and property and real estate developers such as Talaat Moustafa Group (TMG), AMIRAL Sokhna Port and the agribusiness sector represented by Farm Frites.

According to the IFIs, privatizing public sector enterprises would lead to a more efficient distribution of resources based on market indicators, and result in an overall increase in economic growth (USAID 1992; World Bank 1992). Their demands included:

> (1) the share of the market within the Egyptian political economy must be radically increased by privatization of public assets and by the removal of inefficient public regulation, such that competition is the judge of efficiency; (2) the rates of domestic savings and investment need to rise to finance the growth warranted by the level of development and the increasing population; (3) an increased and stable flow of foreign exchange is called for both to service existing debts and to continue to pay for necessary imports; and (4) the public sector must be able to provide efficiently essential services (health and education) and civilian infrastructure, while containing the budget deficit through better cost recovery and new taxes (Bromley and Bush 1994: 204).

In broad terms, the public sector had to radically reduce its share of the economy and withdraw from the provision of public goods, thereby making room for the private sector to expand.[23]

IMF economists such as Jeffrey Sachs also pushed for neoliberal reform. Sachs (1996) argued that IMF structural reforms were a necessary measure to abolish the remnants of Egypt's post-war state-led industrialization model, which he identified as the cause of Egypt's underdevelopment. To Sachs, Egypt's low growth levels were linked to its reluctance to implement structural reforms.[24] Sachs' (1996: 46) main concern was to limit the role of the public sector in order to pave the way for

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[23] Since 2000, unilateral policies based on IMF prescriptions were being adopted indicating the ideological success of proponents of neoliberalism. The 2003/2004 Report of the CBE is testament to the close observance of policy demands of the IMF by the government. The report states the further encouragement of the private sector through relaxation of bank credit as well as a whole host of reforms that facilitated accumulation strategies of the private sector, especially in the tourism and land development sectors (CBE 2003/2004).

[24] A similar argument has been made by Ali Abootalebi (1999) about the whole MENA region's need to structurally adjust their economies. He argues that the failure to increase growth levels are directly linked to the absence of initiatives to alter radically the economies of the region in the context of a competitive global economy at the end of the twentieth century.

a stronger role for the private sector vis-à-vis the state, in the belief that the free market economy was "the only real choice" for Egypt. He declared that:

> Given the progress of Egypt's reforms to date, and the possibility of added reforms in the near future, Egypt could well become one of the world's fastest growing countries in the next decade. To do less would jeopardize another generation to unnecessary poverty, unemployment, and instability (1996: 30).[25]

Other economists linked to IFIs also weighed in on the debate regarding neoliberal reform. The World Bank's resident economist in Egypt, Marcelo Guigale (1993) argued that structural reforms – entailing the removal of 'inefficiencies', such as subsidies for consumer goods, privatization of public corporations and liberalization of trade and finance – were unavoidable. The combination of these dominant forces in support of the liberalization constantly attacked the slow pace of reforms while arguing in favour of a faster pace for more radical reforms. These pressures eventually materialized into a series of deeper reforms in the period between 2004 and 2010.

In 2004, an aggressively neoliberal cabinet under Prime Minister Ahmed Nazif took power. This signalled a renewed commitment to neoliberal reforms after a period of stagnation in the late 1990s.[26] Two significant institutional developments were implemented by the Nazif government. The first was the granting of greater autonomy to the Central Bank in determining fiscal and monetary policies. The second was the creation of the Ministry of Investment. Through this ministry, the Nazif government accelerated the pace of the privatization and deregulation of public services (through Law 203) such as: transportation, health, and education.[27] In this same period, the government introduced tax free zones, simplified its investment law

[25] Sachs (1996: 41) demonstrated his disdain for democratic process in the following passage of advice to the Egyptian government: "I am a strong believer that if you want to reform, just do it. Don't announce that you will do it over six years, because that will invite opposition, and you will get antibodies all around to stop the process, and reform will never happen."
[26] Assessing the reforms under various governments, the 2007 *Arab World Competitiveness Report* noted that Egyptian economic reform picked up pace in the mid-1990s and then slowed down until 2004 due to disagreements among supporters and opponents of reform over the extent of privatization.
[27] In 2005, 172 state owned companies were still in place, but were marked for future privatization.

so that foreign investors could implement projects with ease and provided investors free land for development projects in Upper Egypt.[28]

In the latter part of 2004, the Egyptian Junior Business Association (EJBA) published the *National Business Agenda, 2005-2006* (NBA). The EJBA was formed in 1999 by a new generation of neo-liberal minded business men sponsored by the tourist and real estate industries. They represent a better organized and better educated business association that is more capable of influencing the policy making process. The main goal of the NBA was to achieve higher business standards by making the state more effective in facilitating business interests nationally, regionally and globally.[29] The importance of the document resides in the fact that it presents a clear formulation of economic policy in the interest of the economic actors – like those in the tourist, construction and real estate sectors – who have come to dominate the state throughout the process of reform in the 1990s. These reforms were significant for reconstituting social property relations in a new phase of neoliberalism.

The Neoliberal Transformation of Property and the State in Egypt

An important aspect of neoliberal reform focused on the transformation of the state. Securing the absolute right of private property required a different kind of interventionist state that can legislate and act on behalf of capital. The state was to serve the role of an 'enabler' of capitalist relations by providing guarantees to capital mobility and facilitating the opening of various aspects of the economy to the private sector.[30] Proponents of neoliberalism refer to this as 'governance': a process resulting in the increased transparency and accountability of the state in order to enhance their image as an attractive location for foreign investment. It is better

[28] These changes were introduced in the presence of Law No. 8/1997 for Investment Incentives and Guarantees, which guaranteed tax holidays that covered corporate profits and personal income and sales tax (between 5-20 years).

[29] The document is also important in that it identifies different economic sectors in terms of their contribution to GDP and the construction industry was at the top of the list in terms of its significance in the Egyptian economy (NBA 2005: 30).

[30] These reforms include freedom for firms to generate capital, access foreign exchange and repatriate profits without any difficulties. Thus, governments, through institutional reforms, must ensure that investors freely exploit a country's resources, workers and environment without any obligations towards sustainable human development. Any regulations, whether taxation, or labour laws and other institutional impediments that slow the turn-over of capital, are seen as impediments (El-Erian and Sheybani 1997: 16, 24).

understood as a process of disciplining and transforming states that lack adequate capacities to facilitate the kinds of accumulation strategies necessary to function successfully in a capitalist world system (Greig et al. 2007; Craig and Porter 2006). As Chaudhry (1994: 3) points out, despite their interventionist character, states in the Global South often lack the administrative capacities to "regulate, define, and enforce property rights, dispense law"; and despite their allegedly strong appearance, their capacity to tax is "strictly circumscribed." In order to 'successfully make the 'transition' to a market economy, these capacities become absolutely necessary."[31]

The task of a peripheral capitalist state is twofold: first, it needs to overcome conflicts among elites and, second, it has to institutionalize "a culture of the market" (Chaudhry 1994: 7). This entails generalizing and legitimizing self-interest as the motivating factor behind economic activity. Thus, the final prerequisite entails the redefinition of legal rights of individuals, which would replace the pre-capitalist, communitarian notions of rights. This is not simply a technical process of creating new institutions and passing new laws. Rather, it entails struggles over land, resources and space. It involves local communities, workers, peasants and the unemployed and pitches their interests against more powerful and organized groups such as landlords and capitalists. As a result, this is perhaps the most important and most contentious aspect of the transition to a market economy.

For proponents of market reform, capital accumulation requires the institutionalization of rights of private property. As De Soto (2001: 33) admits, states cannot effectively act on behalf of capital in the absence of formal property rights and proper legal institutions. However, markets do not spring forth 'ready-made' once the state is rolled back. In fact, the state becomes a necessary instrument for institutionalizing the social property relations necessary for the creation of capitalist markets. Creating capitalist social relations requires the abolition of "pre-capitalist forms of identification and behaviour, based on primordial ties built on 'non-rational' and in some cases explicitly communitarian notions...because they introduce

[31] For Chaudhry (1993), the post-independence state has been preoccupied with the project of national integration and has thus not developed the capacities that are required for developing a capitalist market society. She argues that the initial phase of state formation in Egypt, Syria, Iraq, Yemen and Saudi Arabia aimed at consolidating state power through political compromises among competing social groups.

uncertainty and economically irrational behavior into a system that cannot sustain them" (Chaudhry 1994: 7). In commenting on the economic policy of the 1980s, one commentator noted that Egypt's economic policy did little to transform Egyptian social property relations. Rather, to this commentator, Egyptian economic policies "[bore] a striking resemblance to household subsistence farming practices of the pre-capitalist period. Both tend to reduce the pace of exchange in the domestic market and with the outside world. Both determine the volume and quality of production relative to domestic needs" (Harik 1998: 185). Even well-known proponents of neoliberal reforms such as De Soto have recognized the radical nature of changes that a shift in property relations will unleash. De Soto wrote that the creation of capitalist property relations is "nothing short of a revolutionary process" as it is not merely providing deeds of ownership, but rather a process of linking property and social relations together in a web of market interdependence, which to De Soto represented a positive step (De Soto 2001: 35).

In Egypt in 2000, the De Soto estimated the absence of private property – represented by unregistered land and housing assets – at US$241.2 billion, or 30 times the value of all shares on Egypt's Stock Exchange in 2000 (De Soto 2000: 254, 34). Based on a 1998 survey by ECES and the Institute of Liberty and Democracy (ILD), De Soto argued that the extent of informal rural and urban real estate value was close to US $240 billion, which constituted 64 per cent of total Egyptian real estate assets. Thus, close to 90 per cent of the population of Egypt "live[d] and work[ed] in informal dwellings and over 80 per cent of the rural population live[d] on informal holdings" (De Soto 2001: 25).[32]

The inability of market forces to access this vast property, to De Soto rendered it as 'dead capital' and foreclosed any opportunity for financial markets to integrate that informal property into the market:

> Formalization creates the rights, obligations, and legal instruments that enable the owners to relate to government and private business. It provides the mechanisms whereby the most important assets of the informal sector, namely real estate and businesses, can

[32] De Soto's understanding of informality relates to an absence of officially recognized property deeds as well as unregistered property including land and housing, which remained shielded from the market.

> be used to secure the provision of goods and services, especially credit and infrastructure. Formalization transforms its beneficiaries into individually accountable customers (De Soto 2001: 16).

To proponents of neoliberalism, the establishment of private property rights remained central to the creation of a market in land and housing, which were regarded as pivotal to the formation of a financial sector. The method of establishing private property rights entailed the dismantling of other forms of rights to land and by extension to housing. Thus, agrarian reforms and secure tenure as well as rent control laws were dismantled in the course of the 1990s. Equally important, an attack was launched on customary tenure (*wad el yad*). For neoliberals, therefore, the goal was to establish the rights of private property by subsuming land and housing rights that fell under customary tenure, state lands, and Agrarian Reform lands. As will be discussed in Chapters Eight and Nine, the establishment of private property rights entailed a process of accumulation by dispossession with the backing of the state.[33]

The transformation of the state and of existing property relations entailed a corresponding transformation of the relationship between the state and its citizens. To neoliberals, Nasserist social policies signified "the triumph of clientelism in a new form and on a national scale" which created a citizenry that was 'dependent' upon the state (Harik 1998: 186-87). Clientelism used here referred to a set of benefits to workers and peasants that were put in place through populist laws under Nasser. These benefits included a reduced work day (7 hours in industry), a social insurance scheme, minimum wage increases, guaranteed employment for university and secondary school graduates within the state (bureaucracy and public sector), food subsidies, publicly provided education and health care and rent control (Kassem 2002). It is argued that this 'clientelism' granted to the state a particular moral role vis-à-vis its citizens that impeded the development of capitalism. As Harik (1998: 187) noted: "The collective character into which the client has been absorbed or integrated limits the retaliatory options open to the employer, whether government or private." Thus, Egyptians over time became suspicious of the private sector,

[33] By 2000, 92 per cent of the real estate assets of property holders were unregistered and without titles (Ikram 2006: 288).

believing that powerful private interests would "defraud the nation if left to its own exploitative means and selfish pursuits" (Harik 1998: 191-92).[34] Similarly, liberalization and privatization were seen as having the potential of leading to "chaos and injustice". Neoliberals associated this skepticism with a "culture of mass poverty that puts a premium on basic needs rather than on political or economic freedoms" (Beach and O'Driscoll 2003). A new 'social contract' therefore needed to be created based on a limited role for the state in the provision of goods and services, employment, and subsidies. Beach and O'Driscoll (2003) view liberalization as an "imperative" that will bring "democratic capitalism to the Arab world", arguing that it is "only because the control of the means of production is divided among many people acting independently that nobody has complete power over us, that we as individuals can decide what to do with ourselves" (2003: 27-28).

This new found freedom, however, was only enjoyed by those who had the resources to succeed in the marketplace. For everyone else, this posed potential problems for the legitimacy of the neoliberal state. As Bayat (2004: 79-80) noted:

> The historic shift from socialist and populist regimes to liberal economic policies, brought on by the World Bank's Structural Adjustment Program and other policies, has led to a considerable erosion of the social contract, collective responsibility, and former welfare-state structures. Thus, millions of people in the global south who once depended on the state must now survive on their own. Among other things, deregulation of prices for housing, rent, and utilities has jeopardized many people's security of tenure, subjecting them to the risk of homelessness. A reduction of spending on social programs has meant shrinking access to decent education, health care, urban development, and government housing. And the gradual removal of subsidies on bread, bus fare, and petrol has radically affected the living standard of millions of vulnerable groups. In the meantime, in a drive for privatization, public sectors have either been sold off or 'reformed,' which in either case has caused massive layoffs without a clear prospect of boosting the economy or creating other viable jobs.

[34] This perception was based on the outcome of infitah.

In contrast to neoliberal promises of democratization, however, the authoritarian nature of the state continued to play a crucial role in the consolidation of the neoliberal developmental model across the region.[35]

Corruption, Conflict and Crisis

The path of neoliberal reform did not produce the results expected by its supporters. In contrast to increased transparency and accountability, neoliberal reforms opened up new opportunities for corruption amongst the Egyptian elite (El Ghonemy 2003; Radwan 2003; Ikram 2006; Arab Development Challenges Report 2011).[36] Far from resolving the socio-economic problems of the country, neoliberalism exacerbated social inequalities and tensions and failed to result in greater democracy or economic growth. And far from fostering the development of 'democratic capitalism,' neoliberalism perpetuated authoritarianism and triggered an increase in social conflict across the country, culminating in the revolution of 2011.

One observer describes the endemic corruption characteristic of economic liberalization as a "symbiosis between government regulators and speculative entrepreneurs" (Hirst 1999). Raymond Hinnebusch (2010) referred to the same phenomenon as 'crony capitalism'. As Mitchell (2002: 282) pointed out, neoliberal reforms "did not remove the state from the market"; rather, its "main impact was to concentrate public funds into different hands, and many fewer...It now subsidized financiers instead of factories, cement kilns instead of bakeries, speculators instead of schools." After the first decade of the reforms, it was widely acknowledged that the intended goals of the reforms in state administration clearly lagged behind. The bureaucracy continued to remain overstaffed, and the staff lack the skills needed to improve the quality of service delivery. The state's revenues suffered a decline as taxes were not effectively collected. Corruption and tax evasion by businessmen associated with the ruling NDP shaped public perception of the state and the 'free' market model altogether. By 2011, lack of transparency and accountability in

[35] The legitimacy of the state began eroding during this period leading up to the uprisings of 2011 across the region.
[36] For a discussion of the rise of crony capitalism in Egypt and the region, see: Sadowski (1991); Richards (2001); and Hinnebusch (2010).

political and economic decision making process remained a daunting governance challenge (Arab Development Challenges Report 2011; European Neighbourhood Policy 2007).[37]

At a macro-economic level, neoliberal reforms did not lead to the outcomes predicted by its proponents. After a decade of reform, the Middle East remained "one of the least integrated regions in the global economy" suffering from low levels of trade and foreign direct investment even after liberalization (Yousef 2004: 106).[38] Between 1985 and 2000, the region – with the exception of the Gulf States – received slightly more than one per cent of all the flows to developing countries (Ibid). Since 2000, most new jobs have been created in oil-producing countries while most non-oil producers saw unemployment rates rise (Arab Competitiveness Report 2007). In the case of Egypt, the positive economic indicators of the early 1990s – rising GDP, a declining inflation rate and a reduction of balance of payments – underwent a reversal by the latter half of the decade (El Ghonemy and Radwan 2003: 7).[39] As public investment levels declined, private investment levels failed to fill the gap left behind. Between 1987 and 2000, levels of private investment remained largely unchanged in terms of its share of Gross Domestic Product at 15 per cent.[40] However, in 2003-4, private investment levels reached 47 per cent of total investment and by 2007-08, it was estimated at 65 per cent of total investments. Areas that attracted private investment prior to 2004 were mainly oil and gas sectors; since 2004, infrastructure projects, agriculture and construction secured a prominent place among sectors receiving private investment (African Development Bank 2009, Table 8).

[37] The 2012 issue *of Doing Business Report* demoted Egypt by two spots from 106 in 2005 to 110 in 2012. This demotion was associated with a decline in the investor environment (e.g. taxation, protection of investors, enforcement of contracts, access to credit and ease of starting a new business) in Egypt.

[38] Trade barriers such as high tariffs, an overvalued exchange rate as well as lack of membership in international trade organizations had discouraged trade and institutional constraints on private sector activity had kept foreign direct investment levels limited to a few countries (only seven countries were members of WTO in 2000 with three more added since).

[39] This reduction in the balance of payments was largely the result of the writing off of substantial amounts of Egypt's debt by foreign creditors in the early 1990s, not as a result of neoliberal reforms.

[40] "Private investment amounted to about 15 per cent of GDP in 1987; it was about the same in 2000. Public investment on the other hand, dropped quite sharply from over 12 per cent of GDP in 1987 to 6 per cent in 1994; even by 2000 it had only recovered to just over 7 per cent…Privatization was insufficient to call forth the investment expected from the private sector" (Ikram 2006: 82). Mitchell (2002: 282) argues that the levels of investment remained at 2.7 per cent between 1990-1997.

While the state lost a significant share of its revenue through tax breaks to capital and through the privatization of state enterprises, it had to find ways of financing the external debt and the interest accumulating on it. Debt servicing continues to absorb a large proportion of revenue. Egypt's public debt in 2011 stood at US $35 billion. Over the past decade, the country has paid around US $3 billion a year in debt services. Between 2000 and 2009, Egypt paid a total of US $24.6 billion in debt repayments while at the same time, its debt increased by 15 per cent (Walberg 2011).

Throughout the 1990s, numerous critics pointed out the failures of the neoliberal growth model in the MENA region in general, and in Egypt in particular. These scholars questioned the feasibility – and desirability – of the neoliberal model of development. Karshenas (2001: 60-69) argued that no evidence existed to suggest that trade liberalization was solving the problem of unemployment and poverty in the MENA. Rather than relying on new technology and innovation for new exports, MENA economies had relied on price competitiveness in traditional exports such as textiles. In the case of Egypt, Richards (2001: 18) noted that "exports today are less labour-intensive than they were a decade ago", thereby providing no new sources of employment.

The belief that the private sector would step in to fill in the gap left by the public sector also proved to be misguided.[41] The private sector included 2.5 million businesses of which 90 per cent fell under small or medium size businesses. Remaining small in size and restricted in their ability to access credit through official financial institutions, these businesses mostly relied on family members and hired very few workers (African Development Bank 2009). Consequently, unemployment levels remained high, reaching twenty per cent among youth, while rising levels of poverty continue to plague the country (Arab Development Challenges 2011).[42] According to the UN Human Development Report (2011), 25 per cent of college graduates could not find work while 22 per cent of the population lived below the

[41] A recent study of neoliberal experiment in twenty five countries in East Europe between 1990-2000 has revealed that privatization programs hampered the ability of states leaving behind hollowed states without the needed capacity to promote development. See: Hamm et al., (2012).

[42] The unified labour Law 12/2003 made it easier for employers to hire and fire workers, shortened the length of paid annual holiday, shortened the length of paid and unpaid maternity leave and finally linked pay increases, which were implemented automatically every year, to market profits.

national poverty line. In light of these figures, Egypt was ranked 113th among states classified according to the 2011 Human Development Index.

Since the implementation of ERSAP, social protests picked up pace despite the emergency laws and the heavy police presence.[43] Egyptian workers increasingly protested because they felt the pressures that a free market economy had imposed on formerly state-owned firms and factories. The imperatives to compete with private sector firms and stay alive unleashed a cycle of struggle. Workers were demanding living wages, although managers were attempting to keep up with the demands of profits and competition with private sector firms. In 2004, after Nazif government took over, there were 265 strike actions, seventy per cent of which happened in response to Nazif government's policies (Beinin 2012: 5). In 2006 alone, there were 222 strikes and sit-ins; by 2007, the number exceeded 614 (Beinin 2009: 79).[44]

Conclusion

This chapter traced the development of capitalism in the Middle East arguing that throughout the 20th century and up to the current period the region is being transformed as a result of the expansion of capitalism. However, the responses of the elite in the region have differed depending on the availability of natural resources such as oil. Nonetheless, the post-WWII period witnessed a divergent path of development in the region reflected in Arab Socialist regimes in Syria, Egypt, Iraq, Libya and Algeria while monarchies and oil rich countries strived to preserve their rule through reaching post-War arrangements either with the US or with their former colonial rulers. This early experience of state formation shaped the responses of these states in the 1970s and after. Section two examined the convergence towards neoliberalism in the region. While almost all states adopted a degree of liberalization and market reform, the impact of these reforms fell unequally on populations of oil poor states, including monarchies such as Tunisia, Morocco and Jordan.

[43] At the very beginning of reforms, Hans Löfgren (1993) warned about a need to reorder government spending priorities so that short-run social needs are not sacrificed in the hope of long term stability and growth. Among these pressing social needs, he identified education, health, public works and programs to retrain workers and reaching out to low-income groups

[44] In 2011, the government reported 335 labour actions (Beinin 2012: 16-17).

As discussed in section three, the adoption of neoliberalism in Egypt resulted in a transformation of social property relations and a new balance of social power in the country. Coupled with policies of liberalization, in the 1990s, the Egyptian state adopted regressive laws that dismantled rent controls and secure tenancies in urban and rural Egypt contributing to a further deterioration of the existing housing crisis. The loss of agricultural land which rendered rural producers market dependent, created a rural housing problem that was directly linked to the state's strategies of accumulation by dispossession. The unprecedented upwards transfer of public resources resulted in outrage provoking a response in both urban and rural areas. Part II of this dissertation takes a step back into the modern history of Egypt and traces the relationship between state building, property relations and housing before returning to the contemporary changes that occurred under Mubarak. These historical chapters examine the consolidation of the power of landed classes from the early 19th century onwards. The nature of class formation not only determined economic development policies, but also shaped the way social property relations were articulated through a reorganization of access to livelihood and shelter.

Part II. The History of Egypt's Property Regimes, Class and Housing

Chapter 4. State Formation, Social Property Relations and Housing, 1805-1952

This chapter aims to demonstrate the consolidation of landed class power over the course of the 19th and first half of 20th centuries. The dominance of this particular class in Egyptian state and economy cannot be overlooked and remains central to understanding the nature of social property relations. The experience of colonialism reinforced the power of the landed classes by facilitating their integration into the British-led capitalist global economy. Class relations and social struggles over rural surplus were shaped by ruling class interests and by resistance from peasants and workers.

During the first half of the nineteenth century under Muhammad Ali Pasha (in Turkish known as Mehmet Ali Pasha) (1805-1848), power relations in Egypt remained contested among various factions of the ruling elite leading to a protracted phase of state formation. State's role in housing provision remained marginal and where state intervention took place, it was motivated by the state and ruling elite's concern for security and control or maintaining a steady pool of labourers for state's infrastructural projects. In the absence of developed state capacities and in the context of a predominantly agrarian economy, workers' and peasants' housing needs were subordinated to the immediate needs of surplus appropriation. The second half of the century saw the consolidation of a landed class engaged in cotton production for export. Urban and rural developments were subordinated to ruling class interests in the context of an emerging export oriented economy. In rural areas, housing remained unchanged over the course of the century. In the cities, urban development was geared towards attracting foreign investment: the building of infrastructure, transport networks and luxury housing for foreign nationals and urban elites. In both cases, the housing needs of the working population remained neglected and the cities were characterized by a kind of dualism between undeveloped 'old quarters' and modernizing 'new quarters' catering to elites. This chapter examines these trends under Muhammad Ali and his son Ismail (1805-82), and then under the British rule until independence (1882-1952).

State Formation under Muhammad Ali and Ismail [1]

Muhammad Ali is considered the first state builder of modern Egypt who embarked on organizing the economy, implemented administrative reforms to facilitate state revenues and created a regular army between 1805 and 1848. These attempts at building the state and the economy were to ward off European encroachment and Ottoman influence in Egypt.[2] Muhammad Ali's first act to consolidate his power was to massacre all 200 of the Mamluk Emirs in 1811 clearing the way for a new ruling elite.

His economic development strategy included building industry and improving the agriculture sector. He built factories, revived canals for irrigation and transportation, and launched modern education in engineering and medicine with the help of foreign trained experts and built a strong army.[3] The cotton- dominated economy resulted in the expansion of port cities and transportation means. Soon afterwards, Muhammad Ali rapidly restructured Egypt's finances and administration. He created a centralized system of tax-collection and a professional state army, both of which had been fragmented under the Mamluk rule.[4] The confiscated estates of the Mamluks were redistributed to members of his family, urban merchants, village sheikhs and Bedouin chiefs as part of the consolidation of his rule and the creation of

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[1] Muhammad Ali was an Albanian born officer of the Ottoman Empire who was sent to Egypt by the Ottoman ruler to reoccupy Egypt from the French in 1801. He was declared Wali and Governor of Egypt by the Ottoman ruler, but after arriving in Egypt, Muhammad Ali declared himself Khedive and ruler, a title that has been associated with him and was carried down by his dynasty.

[2] The British first attempted to occupy Egypt between 1801 and 1803 in response to France's encroaching power in Egypt. Later in 1807, the British attempted to overthrow Muhammad Ali by stationing 5000 troops in Alexandria. At this point, Muhammad Ali's attempts for greater autonomy were seen as a threat by the Ottoman Port, whereas the British saw in him an ally of France. Later on, Britain managed to win over Muhammad Ali when France abandoned his troops in Syria. In the later years, British-Egyptian cooperation increased as British experts helped Muhammad Ali with his industrialization projects (Marlowe 1965; Lane, 1836).

[3] In 1816, the first textile factory was built in Cairo, followed by the first sugar refinery two years later.

[4] For different forms of land tenure prior to Muhammad Ali in Egypt, see: Ziadeh (1978: 239-42). Two-thirds of the cultivated land was held under *ushri* tenure, which meant holders of such lands only paid half the taxes that were paid by the holders of the remaining one-third of the agricultural land. The *ushri* land was clearly a political compromise towards the local landholders by Muhammad Ali in return for assertion of his authority over Cairo.

a new landed class.[5] In order to increase state revenues, Muhammad Ali began levying taxes on previously untaxed lands and launched a state project to rejuvenate agricultural lands that had been either abandoned or neglected due to damaged canals. This work was accomplished with the use of corvée labour, supplied by 355,000 labourers out of a total population of three million in 1825 (Marlowe 1965: 54-55).[6]

Attempts at building an integrated economy however did not materialize. There was an inherent contradiction at the heart of Muhammad Ali's policy of economic development. Given the scarcity of labour at the time and his reliance on agricultural surplus to materialize his industrial policy, Muhammad Ali was bound to face a serious problem as he diverted labour away from agricultural fields and towards his factories and public works projects.

From the mid-century onwards, various Egyptian rulers made attempts to build the state capacity and establish its autonomy in areas of administration, finance and judiciary vis-à-vis the Ottoman Empire and local power holders (Anderson 1968). Under the rule of Khedive Ismail (1863-78), the 32-year old grandson of Muhammad Ali, rapid development occurred. Ismail's goal was to create a modern state by replicating a European model of development. In order to expand the agricultural surplus, Ismail imported foreign experts to manage his agricultural farms. At the same time, he relied on corvée labour on his private estates (Mitchell 2002; Baer 1968). Finally, to overcome budgetary limitations, he relied on foreign credit to modernize the agriculture sector and build the necessary infrastructure. Nonetheless, all of these attempts did not prevent him from facing what Lord Cromer called a 'fiscal crisis of the state' that resulted in the colonial occupation of Egypt by the British (Mitchell 2002:66).[7] To expand agricultural production, irrigation methods were developed and railways were introduced to transport cotton to the port cities as early as 1850s (Hourani 1991).

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[5] Another important aspect of his diplomacy vis-à-vis his opponents was to engage in foreign military expeditions which benefited not only Muhammad Ali but also all his financiers who were his rivals. See Lawson 1999 for more on 19th century military expeditions in Syria, Sudan, Greece and Saudi Arabia under Muhammad Ali.

[6] Twelve thousand of the workers died due to hard labour and exhaustion (Marlowe 1965: 54-55). As a result, by the late 1820s, protest in rural and urban areas – particularly in state factories – was on the rise.

[7] Evelyn Baring, known as Lord Cromer served as the first British Controller General of Egypt (1878-79) and the first Consul General of Egypt (1883-1907). His book *Modern Egypt* (1908) reveals the details of British policy under his terms of office in Egypt.

Ismail was influenced by one of his close friends, Ali Mubarak, a powerful state official educated in France. Mubarak believed that there was a need for a national project in order to transform 'an insular and tradition bound society' (Hunter 1999).[8] Keeping Mubarak's suggestions in mind, Ismail launched large scale infrastructural developments such as railways, canals, and telegraphs, supported by the expansion and intensification of agriculture. The transformation of the capital city and the adoption of modern infrastructure reflected Ismail's desire to appear modern in the eyes of his European counterparts.

Like the policies of his predecessors, Ismail's infrastructural projects diverted labour from agriculture, resulting in a radical decline in agricultural output. With agricultural revenues declining, Ismail sought support from the financial houses of Europe to fund his projects. Between 1862 and 1873, Egypt borrowed £68 million (Hourani 1991: 283).The building of the Suez Canal (1859-1869) had resulted in the accumulation of a foreign debt of LE100 million principle and LE 5 million annual interest payments (Marlow 1965: 91-92).[9] To raise funds for the repayment of this debt, Ismail implemented the Muqabala Law in 1872 which offered land to anyone who agreed to pay six years of taxes in advance.[10] In 1874, he made the Law

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[8] Educated in France like the khedive, Mubarak argued that Egypt could compete with European states if she adopted European scientific methods in industry, trade, agriculture and the education system (Hunter 1999: 137-38).

[9] Interests in building the Suez Canal had been expressed by the French from the beginning of the nineteenth century, but they were often blocked by British interests who felt their holdings in India would be threatened if the French controlled the Canal and secured a shorter route to the east. However, the French under the convincing personality of de Lessep succeeded in convincing the Egyptian ruler Sa'id in proceeding with the building of the Canal. The task fell to the Compagnie Universelle du Canal Maritime de Suez and the division of labour and capital contributions were as follows. The Egyptian government was expected to provide free labour for the complete construction of the Canal, whereas the burden of funding (in the amount of Fr. 200,000 000 or £8,000,000) was distributed three ways between the French company, the Egyptian ruler, and the third group included Britain, USA and Russia. The shares divided into 400,000 shares of Fr. 50,000 of which the French company took up 207,111 shares, and 96,517 shares were given to the Egyptian ruler and the remaining 85,506 were supposed to be picked up by Britain, USA and Russia. When the latter group refused to accept responsibility for the shares, the French company forced the Egyptian ruler to accept the remaining shares leading to a total of 182, 023 shares. The newly created burden of funding the building of the Canal compounded the fiscal problems of the Egyptian ruler who began feeling the vulnerable financial position he was placed in because of the Canal. More importantly, Egyptian agriculture which was already suffering from a shortage of labour experienced another heavy blow by the demands for labour as was stipulated in the agreement between the French Company and the Egyptian ruler (Marlowe 1965: 65-67).

[10] Ismail's rule coincided with massive redistribution of sixty thousand acres of agricultural land to military men and royal family members. Ismail's personal landholdings increased by fifty thousand acres during the first year of his rule (Mitchell 2002: 54).

compulsory for all those who had access to land. Ismail also sold state lands to foreigners as an attempt to secure funds needed to pay off his creditors.[11] However, these efforts failed to raise the required amount of funds leading up to the formation of the Commission of Inquiry in 1876.[12] The Commission's subsequent failure to secure the debts led to a European control of Egypt's finances in 1876 and six years later in 1882, the British occupation of Egypt.[13] The Colonial administration began implementing some of the main proposals of the Commission in order to secure the foreign debts of Egypt.

The financial recuperation plan of the European powers included confiscation of the royal lands, the closure of state monopolies and the end of slave and corvée labour, all intended to reduce the powers of the Egyptian ruler.[14] Ismail was forced to give up Egypt's shares in the Suez Canal to the British in what Abu Lughod (1971: 113) called one of "the most fantastic financial coups of history", whereby Benjamin Disraeli, then Prime Minister of Britain purchased all of Egypt's shares in the Canal in return for only £4 million of Rothschild's money.[15] After Ismail's deposition in 1879, a number of royal estates and palaces were repossessed by Egypt's foreign and domestic creditors with the help of the Mixed Courts (1875-76).[16] In total, within a period of five years, fifty thousand acres of land were transferred to his creditors (Mitchell 2002: 73).

In short, state building during the first decade of the nineteenth century made the Egyptian economy dependent on the growth and export of cotton. The desire to

[11] Various types of Islamic and customary lands from the Mamluk period were brought under the control of the state under Muhammed Ali and renamed as state lands belonging to the person of the ruler in the first decades of the 19th century.

[12] The Commission suggested the confiscation of Ismail's personal estates of 500,000 feddans and raising loans on the security of these estates in order to pay Egypt's debt, ended preferential tax rates or *ushri* lands and increased taxation on the landed classes (Marlowe 1965: 97-98; Ezzelarab 2004b: 567). In 1877, the total amount of land-tax paid on *Kharadji* lands amounted to LE. 3, 143, 000 as against LE 333, 000 paid by the Ouchouri landowners" (Cromer 1908: 114). The Commissioner had proposed that taxes on ouchouri lands should be at once increased by LE 150, 000 a year (Cromer 1908: 115).

[13] For a justification of British occupation and then protectorate policies see: Cromer (1908); Cecil (1921); Marlow (1965); Carmen (1921); and Brunyate (1907).

[14] Ismail was first demoted to a constitutional monarch and later deposed and exiled by an Ottoman *firman* (royal order) and replaced by his son Taufiq in 1879. Negotiations between France and Britain led to the formation of an Egyptian cabinet comprising of an English Minister of Finance (Rivers Wilson), a French Minister of Public Works (de Blignieres) and other Egyptian ministers.

[15] By 1914, the value of the shares in the Suez Canal had reached £40 million (Blake 1966: 586).

[16] A single unified judicial system in Egypt did not come about until 1949. Prior to that, the Mixed Courts system remained in force, which placed native Egyptians in a disadvantaged position vis-à-vis foreign nationals.

diversify and modernize the economy further deepened the reliance on cotton and resulted in the colonization of Egypt. A state housing policy remained non-existent in this period. The next section explores changes in social property relations under the British colonial rule and assesses the impact of these changes on housing policy.

Social Property Relations, 1805-82

Drawing on Robert Brenner's concept of political accumulation laid out in his essay 'The Agrarian Roots of European Capitalism' (1982), here I explain the strategies of accumulation in nineteenth century Egypt. Political accumulation as a strategy of surplus accumulation entailed surplus extraction through the application of extra-economic compulsions such as force. This is due to the fact that direct producers remained in direct possession of their means of subsistence. Brenner's conception of political accumulation is rooted in the fact that direct producers (in this case, peasants) are in *direct possession* of their means of subsistence. Because they could provide for themselves outside of the market, accumulation entailed extra-economic forms of surplus extraction. It is the foundation upon which political accumulation rested. Thus, elites needed to tax, enslave, enserf, or conscript peasants; failing that, they needed to annex, conquer or extract tribute from alien communities. Parcellized sovereignty was a result of the prevalence of the strategy of political accumulation, because individual elites then tried to reinforce or expand their political and military powers as a means of reproducing themselves outside of the market. The rise of absolutism was a pre-capitalist attempt to resolve this problem, i.e. to end the fragmentation or parcellization of sovereignty. But it did so only by creating a pre-capitalist state that competed with individual members of the pre-capitalist elite. It could either dominate them, or co-opt them (1982).

While Egypt did not experience feudalism characteristic of European cases, it did experience an economic crisis rooted in the decline of agriculture and the disarray of the ruling elite in the eighteenth century. The response to this agricultural crisis resulted in the emergence of an absolutist state dependent on strategies of political accumulation. This section seeks to answer two questions: Why did the ruling classes rely on forms of political accumulation and why did they persist over the century?

Political accumulation was made possible in the early nineteenth century Egypt due to the availability of extensive amount of agricultural land, the possibility of waging wars to extract resources and the ability of Muhammed Ali to centralize power in his hands. Ali neutralized a system of parcellized sovereignty – a legacy of the Mamluk rule – by killing off Mamluk Beys and by co-opting village sheikhs. Second, he introduced a centralized system of taxation by placing tax responsibility on individual villages rather than on peasants or tenants. This replaced the old Mamluk iltizam system and ended the mediating role of the tax collectors/multazims. Finally, the modern state was created with the help of a new landed class composed of village sheikhs that replaced the Mamluks. Over the course of the 19th century, however, this newly created landed elite engaged in competition with the royal family and its landed bureaucracy for labour and a bigger share of rural surplus.

When Muhammad Ali assumed power he aimed to increase state revenues by levying taxes on previously untaxed lands, besides launching a state project to rejuvenate agricultural lands that had been neglected due to damaged canals or had been simply abandoned (Loutfi el-Sayed 1968; Ziadeh 1978). He began centralizing state power and strengthening the territorial integrity of Egypt which had become fragmented under the Mamluks (Shaw 1968).[17] He redistributed confiscated estates of the Mamluks and *waqf* lands to his new allies-the sheikhs and to peasants for cultivation. Peasants received between 5 and 8 hectares of land which they could transfer to their sons, although the final control of it remained with the state (El Araby 2003).

The ruling coalition that emerged as a result of Muhammad Ali's land redistribution policies consisted of state administrators, the leading import-export

[17] For the different forms of land tenure prior to Muhammad Ali in Egypt, see: Ziadeh (1978: 239-42).

merchants and towards the end of his rule, rich ulema and village sheikhs, large scale commercial estate holders who were either his family members or part of the larger Mediterranean merchants (Lawson1999; Sonbol 2000). This new coalition of ruling class, however, remained fragile as they internally competed over the agricultural surplus while the state and the merchants further competed over control of trade and prices. Direct producers in rural areas were subjected to various forms of taxes and exactions by local village sheikhs and state officials in the first half of the nineteenth century. This had transformed rural areas into a sphere of constant struggle over agricultural surplus.

Peasant reaction to rising food prices in the context of increasing cultivation of cash crops for export, increased exploitation and taxation on the emerging large estates took various forms. The impact of increased production of cash crops for exports had reduced the amount of land available for growing staple crops such as corn (durrah) and broad beans (ful) which caused a rise in food prices in Egypt. In response to the elite's policy of political accumulation, 'Brigandage' became "the primary form of collective political action by villagers attempting to ensure themselves some portion of the agricultural goods produced on or passing through their lands"(Lawson 1999: 122-23). Other forms of resistance included family flight, theft from state storehouses and piracy along the Nile. In response to this rural protest, a proliferation of village jails alongside mosques and asylums began to appear in various provinces (Lawson 1999; Mitchell 2002; Baer 1968).

Some poorer fellahin fled from where large landholdings began to appear instead of opting to become day labourers on small farms where they would not be subjected to the same degree of exploitation. The absence of heavy burdens of taxation on small landholders and the flow of labour towards them resulted in an increase in the independence of small holders. As a result, the levels of conflict between large estate holders and small holders rose as labour shortages continued to affect rural production levels on large estates. Other rural labourers attempted acts of sabotage, robbery, vandalism and pillage on the newly emerging estates (Lawson 1999; Fahmy 1997). Revolts were not restricted to rural areas but also were common in urban centres where workers faced increasing unemployment and rising food prices caused by the export of cash crops in the Mediterranean region. Craft workers and artisans contested and challenged the power of merchants who controlled prices of basic food items within the state factories (Lawson 1999).[18]

In short, during the first half of the nineteenth century, rural Egypt had become "an arena in which several powerful forces engaged in growing competition for shrinking agricultural surpluses and the tax revenues derived from them" (Lawson 1999: 128). The struggles over appropriation of the agricultural surplus only intensified in the second half of the nineteenth century.

Between 1858 and 1863, the economy became more deeply linked to the export of cotton as infrastructure and modernization projects required an increase in state revenues. To realize these goals, Law 1858 (also known as Said's Law)[19] was introduced in order to expand agricultural production.[20] The Law rendered individuals, instead of villages, responsible for tax payments. Prior to the Law, very little land existed in the form of freehold tenure.[21] After the announcement of the Law, state lands were legally free to be offered for freehold tenure, albeit with many conditions attached (Jorgens 2000). Law 1858 not only recognized hereditary rights over agricultural land, it also extended the right to foreigners to purchase abandoned

[18] Muhammad Ali responded to the growing unrest by artisans by expanding his industrial sectors so as to absorb those in need of work. Thus he opened factories in various parts of Egypt, including one in Mahallah al-Kubra in the 1820. The factories were followed by others that specialized in linen, wood and silk works, dyeing plants and sugar refineries. Protective tariffs were implemented to stave-off the impact of European imports on these industries (Lawson 1999).

[19] Said Pasha, Muhammad Ali's son, served as the ruler of Egypt from 1854 to 1858.

[20] Law 1858 strictly dealt with state or *miri* land and arable lands while lands held as *hiyaza athariyya* or *kharadji* (subjected to were exempted from this Law. *Hiyaza athariyya* refers to "rural producer's right to agricultural land, represented in a definite legal form to which the administration applied the term *athar fulan* (literally, 'so-and-so's trace or mark')" (Hakim 2002: 55). *Miri* land translated wrongly as state land by the British included crown land or land in the public domains, held through usufruct rights by cultivators was entrusted to the Muslim leader or Amir al-Muslimin. In return for right of possession or 'tassaruf' the cultivator paid kharaj tax to the ruler. State-owned, taxable land was not inheritable as stipulated by the Sharia, nor was it mortgageable. However, after Said's Law of 1858, anyone who possessed state-owned taxable land for five or more years and who was paying the required taxes could not have his land taken away from him. The state however could sell, rent or give unclaimed state lands to whomever it considered suitable and capable of using the land. At the same time, Sa'id only extended rights of usufruct to cultivators and not outright ownership. In fact, Sa'id's Law reaffirmed the Sharia Law by making state owned lands non-inheritable and non-mortgageable (Jorgens 2000: 93-97).

[21] Up until 1862, legal ownership of land was not institutionalized and all land remained ultimately the property of the state with use rights extended to lessees. After 1862, attempts were made to institutionalize the legal right of property owners in land (Ibrahim 1994).

and uncultivated lands, on the condition of cultivating them and paying the taxes that had fallen in arrears.[22]

While the intended outcome of Law 1858 was to reduce the authority of village sheikhs vis-à-vis the state, and provide some protection for peasants, the opposite happened (Ghalwash 1998).[23] Peasant indebtedness increased as landlords charged exorbitant rates of interest for the credit they extended to peasants. Attempts to build an army and develop industry proved counterproductive at the end because these efforts relied mainly on agricultural produce for funds and labour. In the case of the military, conscription drew labour away from agriculture, resulting in declining revenues.[24] Thus, the Law inadvertently increased the power of village notables over the peasantry and laid the groundwork for the eventual rise of a united and effective landed class in late nineteenth century which comprised of the royal family, state officials who held land (*dhawat*, or 'non-Egyptians'), village sheikhs and landlords known as local or provincial notables (or the *ayan*) who enjoyed preferential tax rates known as *ushri*.[25]

Under Ismail's rule, which Abu Lughod (1971: 105) defined as "the last era of royal prerogative", an upward distribution of land occurred especially after the implementation of Muqabala Law of 1870. This upward redistribution remained a tool to acquire the allegiance of the landed elite and local notables. Hunter (1999: 65) notes that,

> ...the lands of peasant cultivators...were confiscated on a very large scale. Entire villages were appropriated. Fifty-four villages along with 56,000 faddans were

[22] Writing about the impact of the Ottoman Law of 1858, Owen notes that the Law should not be seen as a fait accompli after it was announced. Instead, the application of the law was complicated by the difficult task of codifying rights at a period when the ruler attempted to award individuals a right to property, protect the interests of the peasants while also try to serve as the distributor of justice (Owen 2000: xiv-xv).

[23] In 1861, the state forbade the assignment of empty lands to villagers. Instead such lands were auctioned and given to the highest bidder. This led to a concentration of land in fewer hands and rising levels of poverty among peasants. In situations where a peasant did not leave a male of appropriate age as heir, his land was auctioned and the wife received no land (Ghalwash 1998).

[24] The state, as well as the new urban-based landlords, found a remedy for the lack of labour by importing labourers from Europe and Sudan or resorting to corvée labour.

[25] Two thirds of land holders in Egypt constituted of local notables enjoyed *ushri* tax rates and thus paid half the taxes in contrast to *kharadji* land holders – constituted of foreigners and non-Muslims – who were subjected to full tax rates. By the time of Ismail's rule, the ruling family was considered the biggest landowner, owning one-fifth of all of the agricultural land of the country (916, 000 feddans).

> confiscated in a single decree. Lands previously given in lieu of pensions were also resumed by the government, their holders compensated only if buildings had been constructed on them.

While Muhammad Ali and his successors appeared to possess absolute power, in reality his powers of surplus extraction were constrained by local notables such as the village sheikhs and Bedouin leaders.[26] These provincial notables – or the ayan – became increasingly powerful, both economically and politically, over the course of the nineteenth century and competed with the state for a portion of the peasant surplus.[27] The provincial notables controlled a large area of agricultural land and enjoyed preferential tax rates (*ushr*) as opposed to *kharadji* tax, which was imposed on non-Egyptians and non-Muslims.[28]

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[26] Despite establishing an 'absolutist state', Tucker argues that Muhammad Ali's rule continued to remain precarious due to lack of effective control over the country, which forced the ruler to resort to regular use of violence (1985: 30). In order to consolidate his territorial rule, increase state revenues, and keep the peace among the various competing factions of his fragile coalition, Muhammad Ali launched a number of military expeditions to Sudan (1820), Syria (1831) and mainland Greece (1822) (Lawson 1999).

[27] For a Foucauldian interpretation of Muhammad Ali's rule and developments in 19th century Egypt see: Mitchell (2002); Toledano (1998); and Fahmy (1997). Mitchell explains the process of state formation in Egypt as the discovery of new ways by the elite to control the peasants through exclusion, surveillance and incarceration (2002: 74). Ehud Toledano (1998: 263) argues that the strength of the newly centralized state was based on the degree of its penetration of society through European-styled laws. To Toledano, Muhammad Ali's state was so strong that it shaped public discourse, the family, gender, the body, and the education system. He writes that, "these invisible means of control were inseparably attached to the explicit ones. Explicit, naked control would not have been possible without covert deployment of the defining and inculcating mechanisms of implicit control." Toledano illustrates how the strength of the state reduced the capacity of organized resistance by peasants and suggests that over time the reduction in peasant protests was a sign of increasing powers of the state in the course of the nineteenth century. According to Fahmy (1997), the state under Muhammad Ali had discovered a new way of implementing power, which is best understood as disciplining the peasantry by transforming them into 'disciplined, well-trained soldiers'. These Foucauldian interpretations do not sufficiently grasp the ways in which power was contested by various social forces including local landlords, sheikhs as well as peasants. Indeed, power was constantly constituted, reconstituted through negotiations, bargaining and contestations of various social actors including the ruler, local landlords and sheikhs as well as foreigners who were increasingly playing an important role in the Egyptian economy. As well, Rudolph Peters' (2002: 31-52) study of the prison system under Muhammad Ali poses a challenge to the way Foucauldians depicted power as absolute in this period. Peters pointed out that prisons were barely guarded, constructed in houses where escape became a routine occurrence.

[28] By the 1830s, provincial notables were made responsible for the tax trusts, which gave them the power to collect and transfer taxes to the central government, and provide corvée labour for infrastructure projects and military service. In 1842 holders of granted land received the freedom to mortgage, lend and sell their lands. By the late 1860s, the ayan would increase their power through the institution of Majlis Shura al-Nuwwab or the Advisory Chamber of Deputies. In the next forty years, the ayan managed to expand their landed estates and occupy some of the senior provincial posts (Ezzelarab 2004a).

In the Ottoman Empire, a process of consolidation of land tenure forms reduced various types of Islamic and customary (`urfi) lands, which were brought under the state domain. By the end of the nineteenth century three forms of landholding had emerged: private property, *waqf* lands and state lands. Under Muhammad Ali and his sons, private ownership of land was extended from urban lands to agricultural land, motivated by the fiscal needs of the state for increased taxes (Ziadeh 1993). Agricultural land plots were given to farmers and peasants under the title of private property to ensure sustained tax revenues.[29] "Private ownership", writes Mitchell, "emerged not as a right won by individuals against the state but as part of a penalty imposed upon them as a means of paying government debts" (2002: 67).[30] Highlighting this peculiar form of private property in nineteenth century, Robert Hunter points out how private property did not restrict the ruler's 'prescriptive right of confiscation and reallocation' (1973: 480). As a number of scholars (Owen 2000; Islamoglu 2000; Mitchell 2002) have argued, relations of surplus extraction were negotiated within villages. So long as peasants cultivated their land and paid their taxes, they could not lose their land. In other words, exploitation had to be checked so that peasants could continue to produce and reproduce and thus guarantee future surplus. At the village level, customary rights determined the organization of production and level of surplus extraction (Owen 2000: xiii-xiv).

Nonetheless, peasant exploitation remained an integral aspect of rule under Muhammad Ali and his dynasty as upward redistribution of land continued through various land laws.[31] The landlords' ability to borrow at low interest rates from various

[29] In instances where land was extended as private property, these were lands that had been left out of cultivation or abandoned by peasants. Given a serious shortage of labour in the first half of the nineteenth century, the increasing demand for agriculture surplus was not easily met by the available labour and thus in an attempt to increase surplus, land was offered to anyone who could guarantee tax payments to the state (ruler).

[30] Rules that dictated surplus distribution were often negotiated in violent ways. However, the subsistence needs of the cultivators were often acknowledged by village local authorities (Mitchell 2002).

[31] Peasant resistance was often informed by notions of customary rights to land and property and took the form of (tax avoidance) flight from villages, self-maiming to avoid military service and corvée labour. During Muhammad Ali's Syrian Campaign, 60,000 conscripts went missing from his army and 20,000 from his navy, most of whom probably went back to their lands to farm or escaped to Syria (Fahmy 1997: 258-59). Peasant families engaged in maiming their children in order to protect from army service. As cited in Lane, "In the time of my second visit to Egypt [1833], there was seldom to be found, in any of the villages, an able bodied youth or young man who had not had one or more of his

financial houses increased their power over the indebted and cash-strapped peasantry.[32] Unable to pay back their loans, peasants often had to abandon their land, which further expanded the landed property of the ayan.[33] By the 1860s, villagers were faced with high levels of debt as increased levels of taxation by the state and rural notables forced them to keep borrowing and into a perpetual cycle of indebtedness. By the 1870s, many villagers unable to repay their debts lost not only their lands, but also their cattle to tax collectors and usurers. This grim state of the peasantry was captured in the following excerpt in *The Times* from April 8, 1879:

> The people, deprived of their ordinary food, have striven to support themselves by eating green weeds, the refuse of sugar cane, and any garbage on which they could lay their hands… Partly, this deterioration resulted from government pressure for taxes through the use of various coercive practices including the whip at a time when the ability to pay had already declined sharply by the impact of natural catastrophes, (unusual floods in 1878 followed by drought in 1879). The situation was particularly alarming in Upper Egypt, where the death toll in three towns only reportedly reached ten thousand (cited in Ezzelarab 2004a: 51-52).

The expansion of cash crops in the mid-19th century, and the upward redistribution of agricultural land, radically reduced the supply of staple crops – thereby driving up their cost – and resulted in the creation of a large number of landless agricultural labourers. The condition of the workers deteriorated as the expansion of cotton production for export resulted in food scarcity. In order to discourage peasant flight and its adverse impact on agricultural revenues, in 1862 Ismail ordered a redistribution of lands that had been abandoned by peasants. He encouraged Bedouin Arabs and landless peasants to take over lands in the amount of two acres to households of five persons (Mitchell 2002: 67).

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teeth broken out (that he might not be able to bite a cartridge), or a finger cut off, or an eye pulled out or blinded, to prevent his being taken for a recruit" (Lane 1908: 201).

[32] The ayan borrowed at 9 per cent per annum from the banks while they charged the peasantry anywhere between 25-40 per cent for extending this credit (Ezzelarab 2004a: 37).

[33] By the end of the 19th century, the latter had gained sufficient power and established a united front against the Khedive and his family, who had lost a significant degree of their power under the British occupation.

Nonetheless, reflecting a fragile state and divided ruling class in nineteenth century, rules and laws were not always closely followed through. Instead, there appears to have existed a world of difference between the letter of the law and the actual practice of land ownership. Consequently, on Ottoman lands, property rights were constantly contested, negotiated and renegotiated (Islamoglu 2000:18).[34] Mitchell reiterated Islamoglu's point as follows:

> The network of claims, moreover, involved not just the land but a variety of processes and relations: grain as distinct from other crops, trees and their fruits, grazing rights, the supply of water, the maintenance of irrigation works, and so on. The claims were related to a wider discourse of justice and reciprocity reproduced in social practice. They were not fixed in an abstract code of law, but were guided by legal precedent and by prescriptions developed in response to actual circumstances and events (2002: 57).

In other words, nineteenth century Egyptian society did not experience a system wide development of productive forces and therefore a new system of property relations based on market dependence did not emerge in this century. Rather than improve the productive forces, during the first half of the nineteenth century, the ruling elite increased their wealth by pursuing expansionist policies into other states (Syria, Arabia and Greece) and exacting tribute as well as by squeezing more from the Egyptian peasantry. As such the application of force remained instrumental in increasing the wealth of the ruling elites.

Class relations in agriculture were based on three main set of actors: the state, landlords, and finally peasants/wage labourers/small scale subsistence farmers. As

[34] A number of recent works have examined the non-capitalist aspects of property relations in the former Ottoman provinces including Egypt. These works include: Owen (2000); Islamoglu (2000); Jorgen (2000); Sait and Lim (2006). In the former Ottoman provinces, landholdings were governed by various legal systems (Ottoman, Islamic), but the goal was mainly to increase the revenue share of the state in order to make consolidation of the state possible. Variations resulted due to different land practices in different parts of the Ottoman Empire as Laws issued in by Ottoman ruler were adapted, changed and contested in specific contexts of Ottoman provinces. As Sait and Lim write: "various types of tenure that authorized land use or rights to revenue 'did not correspond to an understanding of ownership', whether state or private, at least in the Western liberal sense of the word. The emphasis upon 'possession' and 'use of land', as opposed to ultimate ownership, remained and remains an enduring feature of land tenure in the Arab world" (Sait and Lim 2006: 64-65).

such, there is no evidence in Egypt of capitalist tenant farmers as had developed in the case of English agrarian capitalism. As Owen noted:

> The result was a system which ... stopped short of the re-organization of production along more capital intensive lines using a combination of wage labour and machines to allow a steady increase in agricultural productivity. As elsewhere in the non-European world, the actual production of cash crops remained in the hands of peasant agriculturalists and subject largely, to the limitations imposed by peasant techniques (1993: 148).

Given the absence of market compulsion, surplus extraction required extra economic compulsion which was exercised by the state and the landlords.

Cultivable land was divided into two major categories: Royal Estates and Non-Royal Estates. Royal estates were further divided into Daira Saniya, Daira Khasa and the Domains. Daira Saniya included 51 estates each averaging around 10,000 feddans, whereby the half located in Upper Egypt grew sugar and the other half located in Lower Egypt grew cotton. A major part of the Royal land fell under the Domains comprised the vast majority of Royal land, approximating 340,000 feddans, of which half was rented out to tenants. Daira Khasa comprised of 50,000 feddans, 10,000 of which were farmed directly by their owners while the rest was rented out or used hired labour.

The second major category of cultivated land was constituted of non-Royal estates. Although detailed information is not available about this category of land, by 1880, there was ample evidence that cash rent on these lands remained the exception rather than the rule (Owen 1993: 145). Often landlords and tenants reached an agreement "in some proportion which related fairly directly to their own input in terms of labour and capital as well as who was to pay the tax." The daunting challenge for the landlords remained the issue of supervision which was "necessary to make sure that the land was properly worked and the crop properly shared" (Owen 1993: 146).

Another factor that prolonged political accumulation as an effective strategy of surplus extraction was due to a "lack of a well-developed market in agricultural labour" in late 1800s (Owen 1993: 146). To compensate for this, landlords on non-Royal estates organized agriculture around *izbas*, which relied on "service tenants, [and] peasants who agreed to provide a regular amount of work on the estate in exchange for the right to rent a small plot of land for their own use" (Owen 1993: 146). To ensure regular access to labour, it made economic sense to landlords to house labourers within the *izba* in "mud dwellings grouped around the central store and the residence of the owner and of his nazir or overseer" (Owen 1993: 146). By 1882, there were 5000 izbas scattered throughout the six lower provinces that grew cotton (Owen 1993: 146). Although *izbas* were marked by variations, in general, tenants who worked on izbas not only had a plot to cultivate their own food, they also had access to housing. Landlords ensured their power over their workers by placing themselves between the market and the peasant and thus had the ability to determine wages and the price of produce not to mention the ability to engage in debt bondage (Owen 1993: 147).

Owen noted a number of defining characteristics of Egyptian agriculture in nineteenth century: first market compulsion was absent and thus there was no need for the cycle of specialization, accumulation and innovation associated with market compulsions under capitalism. Specialization in this period was strictly limited to the type of the cotton seed (Owen 1993: 145-47). The inability of the Egyptian ruling elite to overcome the agricultural crisis of the late mid-19th century led to the occupation of Egypt in 1882.

In short, property relations in nineteenth century Egypt were 'politically constituted' and subject to political struggles between the ruler and his competitors as well as subject to peasant resistance. Surplus extraction occurred through 'extra-economic' means such as taxation by both the centralizing state and provincial notables. The existence of competing centres of power was reflected in the absence of a unified state with effective authority across Egypt. Thus, parts of Upper Egypt were not subjected to state control to any degree and village life in these parts continued uninterrupted and shielded from demands by the state for appropriation of the surplus. Surplus extraction occurred not in a sustained manner, but periodically through the use of army and raids on villages.

Housing Provision, 1805-1882

During the first half of the nineteenth century, housing provision was mainly restricted to urban areas and shaped mainly by the ambitions of various rulers to overcome economic and security challenges to the state. Under Muhammad Ali, the dominant role of cotton in the economy meant that port cities such as Alexandria experienced significant infrastructural development and replaced Cairo as the centre of economic power. Muhammad Ali viewed Cairo with suspicion and struggled to control it. Urban changes in Cairo were therefore primarily geared to the provision of security for the ruler and the circulation of goods and troops. Notable developments of this period included the building of factories, garrison towns and royal palaces on the outskirts of Cairo. Housing conditions of the peasantry, however, remained unchanged and workers' housing deteriorated as local traders lost to increased competition from Europe and the Mediterranean.

Viewed as a threat to his rule, Mamluk-style large communal houses were ordered to be demolished by Muhammad Ali and were replaced by small family dwellings. He also demanded that old style windows made from wood lattices (*mashrabiyya*) be removed and replaced with glass. Following these changes, by 1847 Cairo and other major towns had their houses numbered under the supervision of artillery officers. Further, to avoid a surprise attack at the hands of his domestic rivals and to monitor the traffic in and out of Cairo, Muhammad Ali built palaces on the outskirts of the city. The palaces were connected to Cairo through wide thoroughfares, the construction of which came at the expense of hundreds of houses that were on their path and had to be demolished.

A different threat was posed by the regular outbreak of cholera and plagues which took the lives of thousands. The scarcity of labour in early 19th century was linked to high mortality rates caused by the plague in 1801 and spread of cholera in 1831 (which killed 180,000) and an epidemic that killed 500,000 in 1835 (Tucker 1985: 115).[35] The resulting scarcity of labour created a high demand for labour and

[35] Egypt's population was 4 million in 1800 and only reached 4.7 million by 1849, the year after Muhammad Ali died (Raymond 2001: 300). Mortality was quite high on public works' sites where 400, 000 peasants were annually required to take part in public works. During the first half of the nineteenth century, the population of most towns remained around the 10,000 mark except for Cairo

tough competition between landlords and the ruler. To maintain a steady supply of labour, and to reduce the impact of plagues and other diseases, Muhammad Ali engaged in projects of public sanitation, public works, whitewashing of houses, and widening of narrow streets which were dark and damp. It was under his rule that the public cemetery from the centre of Cairo was moved to the city's outskirts as a public health precaution.[36] While Muhammad Ali was concerned with urban security, sanitation and transport, his rule remained limited in terms of radical urban and housing reforms. Tucker (1985: 104) notes that unsystematic state intervention in health, housing and food revealed the true limits of Muhammad Ali's power. Instead, much of the responsibility for the provision of these services rested on foreign investors, charitable institutions and communal organizations, or the individual household.

Construction projects of considerable size and value were mainly carried out by foreign speculator in the first part of the nineteenth century. In the late 1849, housing and infrastructure attracted foreign investors leading to a building boom. This resulted in a sharp rise in land prices in Cairo and Alexandria while rents increased by 500 per cent (Owen 1969: 85). In the same period, Egyptian rulers engaged in erecting buildings in major cities while French and English speculators took control of infrastructure provision (e.g. gas lighting) to residential towns inhabited by foreign elites (Owen 1969: 85-86).

As a result, between 1825 and 1835 elite housing benefited from burnt brick and cement with roofs strong enough to provide protection from rain; however, lower class housing remained mostly unplanned, situated in narrow alleys and on top of shops and generally lacking access to basic services such as waste disposal, sewerage etc. Workers' housing in the first part of the century was constituted of individual rooms in low-rise buildings, which were often shared by many individuals (Lane

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which had a total population of 240,000 adding up to a total of 2.5 to 3 million population for the country as a whole (Lane 1838). Of this total population of 2.5 million, Lane estimated that Muhammad Ali had taken between 200,000-300,000 for his army and navy and for his industrial projects (1908: 23-24).

[36] In 1798, under the French colonial rule, burial in other parts of the city were prohibited; they were restricted to the Qarafa Cemetery with the intention of the making the city more sanitary. Other urban development works included filling of lowlands to curb spread of disease.

1836).[37] Urban quarters in Cairo were controlled by guilds of trade and sheikhs and their agents who determined who to rent an apartment to and under what conditions. Guilds of trade continued to play an important part in the organization of workers' quarters and municipal services in the second half of the nineteenth century. Equally important, sheikhs of the quarters continued to play a crucial role in urban affairs (Raymond 2005; 2001).[38]

Rural housing in this period was built by peasants from unbaked bricks and cemented together with mud. Commenting on the state of rural housing, Lane (1836: 22) described most as simply 'hovels'. The quality of rural housing was inferior in comparison to elite housing in the larger urban areas. The roofs of the huts were "formed of palm-branches and palm-leaves, or of millet-stalks, etc., laid upon rafters of the trunk of the palm, and covered with a plaster of mud and chopped straw" (Lane 1836: 22). In the absence of effective waste disposal, Lane noted that most of the villages were situated on top of mountains of rubbish, exposing the population to disease and inundation of the Nile.

The growth of shanty towns during Muhammad Ali's rule was linked to the rise in repression towards the peasantry. Peasants who fled conscription or excessive taxation sought refuge on the periphery of urban centres such as Alexandria and Cairo. Informal shelters also developed around military garrisons whereby families of conscripts followed their men who served as their breadwinners. Throughout the first half of the nineteenth century, thousands of peasant family members resided in shanty towns or informal, temporary settlements which were tolerated by the authorities (Tucker 1985: 135-36).

From 1863 on, the urban housing landscape was impacted by the massive infrastructural and urban reform program of the emergent Egyptian state. Given the dominance of cotton exports in the economy, a national housing policy remained non-existent. However, Egypt underwent a major phase of large-scale urban transformation under Ismail (1863-1879). Ismail sought a modern Cairo to symbolize a modern Egyptian state. He was inspired by Haussmann's restructuring of Paris and

[37] I have relied on Edward Lane's statistics for early 19th century Egypt as he was the first scholar who systematically gathered information on various aspects of social life in Egypt, including housing.
[38] In 1801, there were 278 corporations (along with their communities and sheikhs) of which 193 were in Cairo highlighting the importance of Cairo as the centre of urban trade (Raymond 2001: 295).

wanted to emulate that model in Cairo. Thus, in a very short span of time, he attempted to lay the foundations of what Owen described "an independent, European-style state with its own modern railways and port facilities, its own industry, and its own magnificent capital city full of the long avenues, the parks, [and] large public buildings" (1969: 153). Three of the initial goals included: building a suburb to be named after Ismail; redeveloping Azbakiyya; and drafting a master plan for Cairo to prepare it for the opening of the Suez Canal in 1868.

The completion of the Suez Canal, a crucial link to the East, was also considered a triumph of the modern state, an accomplishment that Ismail wanted to display properly to other states through a grandiose opening ceremony following the model of the Paris Éxposition Universelle of 1867. While Old Cairo was left alone, the northern and western parts were modernized with the building of wide thoroughfares, palaces and grand houses. Ismail offered state lands free of charge for wealthy individuals in order to build villas and gardens and contribute to the beautification of Cairo. The prominent developments in Cairo under his rule included the linking of Azbakiya to the Nile, the establishment of a system of avenues, the promotion of modern, luxury-style housing along the Nile, the Opera House, the Hippodrome, several theatres and a number of palaces.

Between 1864 and 1865, planners and engineers working for the Ministry of Public Works undertook the task of implementing Ismail's vision for the urban spaces around the country. Wide thoroughfares and a system of avenues modelled after Paris were introduced in Cairo. Waste land areas around the city were filled and levelled while main streets were opened up through additional roads. By 1865, Cairo streets were lit up with gas lamps to facilitate movement at night while running water was extended to houses of the ruling elite. A drainage and waste disposal system was put in place while urban waste was transported for recycling in rural agricultural lands. In order to reduce the impact of plagues and disease, narrow streets were widened and damp areas were demolished. Ismail's desire to implement a new aesthetic to the city resulted in the creation of open public spaces and squares, the planting of trees, the construction of drains, and regular cleaning. He also encouraged the building of mansions and Constantinopolitan in order to change the appearance of the city.[39]

Khedive Ismail's housing policy was guided by his desire to transform his capital and other major cities in the image of a modern Europe as he considered Egypt not a part of Africa but part of Europe.[40] However, these changes did not affect all parts of the big cities, leaving the old sections intact or with very little change. The outcome of his efforts was a dualism of old versus modern or western, whereby the old was comprised of dilapidated housing and the new was marked by western style modern housing for foreigners and the Egyptian elite. The new parts were the outcome of expansion into the western and northern parts of the old city. The new European parts were supplied by gas, water and transportation most of which was provided by foreign private investors. As for the old quarters, the linking of the new parts of the city to the old Islamic quarters through wide thoroughfares resulted in the demolition of houses while most parts of the Old City continued to be untouched by the authorities and thus were characterized by "leprous houses and poorly maintained streets" (Raymond 2001: 312-16).[41]

The most controversial aspect of urban reform under Ismail was the destruction of four hundred large houses, three hundred small houses and an unknown number of shops, bakeries, mills, bath houses and mosques. This destruction was the price paid for the extension of a 2 kilometre long boulevard named after Muhammad Ali which cut diagonally through the Old City.

In general, state intervention in rural housing in nineteenth century Egypt remained very limited. In a rare commentary on rural housing in this period, Mitchell (1988: xv) examined the case of 'model villages'. He argues that rural housing policy at this time intended to impose discipline and increase the power of the state over the population through the principle of "visibility and observation," thereby making

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[39] Pollard (2005: 41) noted that by mid 1850s, "an allegedly Greek-style home, called the Constantinopolitan, had become popular with Mohammed Ali's family and the new elite classes. According to Ali Mubarak, the new elites started building the Constantinopolitan in order to imitate the royals. Mubarak himself lived in such a house."

[40] Khedive Ismail extended his modernization project to the education of the children of the elite through the adoption of European education methods and materials.

[41] Tucker (1985: 111-12) argue that the old parts of Cairo were not subjected to development plans due to the difficulties associated the complexity of property arrangements that shaped the old quarters. He interprets this as a demonstration of the limits on the powers of the state to restructure urban spaces.

Egyptians more "visible" to the police. This was part of a larger state-sanctioned project of order and discipline that extended from urban planning and architecture, to the construction of model villages and down to extension of military and educational discipline.[42] According to Mitchell (1988: 14), model villages were created to control the bodies and movements of the peasants while the widening of thoroughfares aimed to expand the control of the state over the urban population. While some of the newly created large agricultural estates (*izbahs*) aimed to keep peasants within the village by providing housing for them, this in no way suggests that peasants did not welcome the offer of housing by some landlords. In fact, the degree to which model villages were common in the Egyptian countryside is unknown and Mitchell does not suggest otherwise. Indeed, model villages appear to have been an isolated experiment with very little impact over rural housing in general. As Tucker (1985) points out, there were variations in the nature of rural housing: at one end of the spectrum, tarahil or seasonal agricultural labourers provided their own housing; and at the other end, large estate owners provided housing for the peasants who decided to reside within the village.

While it is indisputable that the consolidation of the Egyptian state meant establishing control over the population, the extent of state power exerted over the population in this period has been overstated (Tucker 1985; Hunter 1999). The degree of state power and its control over Egypt's territory and its rural population appears quite limited given the extent to which peasants constantly moved around the country (or even to places such as Syria) to avoid tax collectors (local and state) or conscription (Fahmy 1997).

State Formation, British Rule and Independence, 1882-1952

[42] Mitchell's argument of the disciplinary nature of state policies in terms of organizing space is rooted in his understanding of the nature of the state in nineteenth century Egypt as a modern state that had the ability to mould society through education, military, and spatial organization. He writes: "The politics of the modern state were modelled on this method of replacing a power concentrated in personal command, and always liable to diminish, with powers that were systematically and uniformly diffused. The diffusion of control required mechanisms that were measured rather than excessive and continuous rather than sporadic, working by invigilation and the management of space" (1988: 174-75).

British colonial rule brought with it a wave of foreign investment geared towards cotton production. This investment, however, did little to transform the economy from a traditional, craft based economy to one based on modern forms of factory production. Rather, the bulk of foreign investment ended up in property development and speculation. The result was the creation of a property bubble that burst in 1907. The ensuing economic crisis highlighted the fragility of Egypt's export-dependence and, coupled with British attempts to curtail the exploitive powers of the landed class vis-à-vis the peasantry, provoked a surge of nationalism that culminated in independence in 1922. Independence brought with it an aborted attempt at import substitution industrialization in the 1930s. Throughout this period, the plight of the peasantry remained largely unchanged. The cotton export economy resulted in concentration of land and therefore landlessness among the peasantry. Housing provision for the elite and foreigners was facilitated through foreign investors and companies while the condition of housing for peasants and workers remained unchanged. This pattern of state intervention perpetuated the dualism that had begun to form under Ismail.

Colonial economic policy was closely linked to cotton processing, export and transportation. To this end, the British undertook improvements of the agricultural system by introducing perennial irrigation, building the Aswan Low Dam, and repairing the canals system. They also unified the agricultural tax system by eliminating numerous taxes that were imposed on the peasantry by the Egyptian landlords while raising the rate of taxation on the landlords. Furthermore, in order to increase the revenue of the state, they handed out state lands to private investors for development.[43]

[43] European railway companies obtained cheap land in the range of one Egyptian pound per acre and thus railway lines began springing around Cairo in the first decade of the 1900s. However, soon the value of urban land quadrupled due to urban developments and speculations. European land developing companies expressed interest in urban development in the same time period. Belgian and French firms received concessions for water and gas, which could have been in force from 50, 75, 80 and 99 years (Abu Lughod 1971: 150). The only instance that an Egyptian company attempted to compete was in 1897. The Egyptian firm received a contract to build a railroad in al-Fayoum, but the results were devastating and the contract was transferred to an Anglo-Belgian firm. Abu Lughod points out that decisions taken in the late nineteenth century and early twentieth century made Egypt dependent on foreign companies for her public services and utilities such as water and gas (1971: 151). It was not until after the 1952 revolution that Nasser's nationalizations in 1956 put an end to foreign control over public utilities.

The colonial presence in Egypt created confidence amongst investors to invest in public works and irrigation resulting in the building of the Aswan Dam and perennial irrigation in Upper Egypt (Abu Lughod 1971: 114). Other benefits that accrued to foreigners (French, British, and German) under the colonial rule included the control of trade. If in the late nineteenth century foreign investors targeted agricultural land, at the turn of the century they shifted their investments to urban land. It was hoped that urban land, especially in Cairo, would have higher returns under the British occupation. Thus, at the beginning of the twentieth century, speculative investment in urban property rapidly increased (Abu Lughod 1971).

Between 1883 and 1892, two types of economic activities particularly attracted investments: cotton processing and exporting, and government public works projects. The attraction of public works projects can be gauged from the high level of foreign investments in Egyptian companies: "In 1897 the amount of foreign money (English, Belgian and French) invested in Egyptian companies was LE 11,912,000... Five years later this sum had increased to LE 24,642,000 out of LE 26,280,000" (Owen 1969: 281). From 1892 until 1902, foreign investors invested in cotton production with the hope of reaping big profits. Owen (1969: 281-85) points out that during the boom years of 1893 and 1907 foreign investment levels surged with most of the investments finding their way into land projects.[44] However, most of the investments were speculative in nature and further exacerbated the agricultural crisis. As Abu Lughod (1971: 152-53) writes:

> The paid up capital of companies operating in Egypt increased from some 7 million Egyptian pounds in 1892 to over 26 million in 1902 and to 87 million by 1907, excluding the Suez Canal and the branches of European banks and companies. Almost all of this increase came from foreign sources...Land and building societies were founded in increasing numbers between 1901 and 1907,

[44] In 1894, the Behera Company began a project of land reclamation. In 1896, three of the powerful banking houses in Alexandria-Suares Freres, J.L. Menasce, Figlio and Co., and J. M. Cataui et Cie., among their other projects, founded the Société Foncière d'Égypte to operate an estate of 6, 250 feddans in Giza Province purchased from State Domains. Owen notes that foreign capital that flowed into Egypt in 1897 amounted to LE 11,912, 000 and increased to LE 24,642, 000 by 1902 (Owen 1969: 281). See also Cecil (1921) for various accounts of land deals sought by English investors in Egypt after 1882.

> each following approximately the same procedure: to buy, wait for an increase in values, and then sell.

Generally, in the first part of the twentieth century, investments became more diversified. Besides land speculation, investors targeted banks and credit institutions, transport, and infrastructure, traditional industries of cotton-ginning and pressing, manufacture of cigarettes, sugar-refining and cotton mills. Rising cotton yields resulted not only in increased levels of investments, but also in dramatic land price increases during the first decade of the twentieth century. As Owen (1969: 282) notes:

> In seven years after 1900, 160 new companies were formed, representing a paid up capital of LE 43,335,000. Of these, no less than 119, with a capital of LE 32,568,000, appeared between 1905 and 1907... Once again, a major proportion of investors' money was placed in concerns connected in some way with rural land. Mortgage companies were the most important recipients. In the ten years, 1896-1907, they accounted for 46 per cent of the increase in paid-up capital and debentures.

During the first two decades of the twentieth century, foreign creditors played an important role in extending credit to large estate holders. Foreign investments in 1900 came from three sources: French (LE 46,267,000), British (LE 30,250,000), and Belgian capital (LE 14,294,000) (Issawi 1961: 53). The result was a speculative bubble that inflated land values and went bust between 1907 and 1911.[45] Similarly, agricultural development benefited land speculators and landlords while reducing the amount of land held by small farmers and peasants. Rural indebtedness increased between 1880 and 1914 as debts rose due to mortgages on land, property purchased on credit and loans extended to small cultivators.[46] However, most of the debt was

[45] The spike in land prices is underlined by Abu Lughod (1971: 153) who writes that "land values increased from 2-15 milliemes per square meter before the 1890s to over 2,000 milliemes per square meter by about 1910."

[46] Botman (1991: 21-22) characterizes Egyptian agriculture during the first half of the twentieth century as "extremely backward" as peasants used simple tools and equipment. Landownership remained unequal with absentee landlords controlling large estates. She adds that "the landlord controlled the allocation of water, the system of drainage, and the schedule of crop rotations. Leases were generally

owed by relatively bigger landlords (owners of fifty feddans or more) to mortgage companies whereas peasant debts were owed to local usurers and landlords.[47] In 1913 a government commission estimated that peasants owed LE 12,123,189 to usurers, out of a total rural indebtedness of LE 44,000,000 (Owen 1969: 272-73).

The modernization in cotton production succeeded in paying off Egypt's debts, however, the effect of these policies on Egyptian society was mixed. The economy outside of sectors linked to cotton production and export remained undeveloped. Despite the integration of the Egyptian cotton market into the British and European economies, domestic production methods remained traditional as the economy at the end of the nineteenth century contained a "tiny incipiently modern sector...precariously superimposed upon the dominant traditional one" (Abu Lughod 1969: 164).[48] The modern sector remained small and foreign dominated; the rest of the economy was organized in what Abu Lughod (1969: 165-66) calls a pre-industrial economy, "in which the scale of firm was tiny, the division of labour organized by product rather than process, capitalization, mechanization and inventories all minimal and the relationship between client and producer, employer and employee direct, personalized even when fleeting, and encrusted by the generosities and cruelties of the non-cash nexus." By the time of independence (1922) a majority of urban workers were absorbed in industries of textile, dress making, wood, leather and metal making, which were organized on a small scale and used traditional methods of production.[49]

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short-term, rarely exceeding two to three years. Landowners had little impetus to technologize their farms: labour was cheap, and peasants, who were historically skeptical of change, would likely have resisted innovation if it had been proposed." As Marlow (1965: 255) noted: "In 1913, 12,558 landlords, each with more than 50 feddans, owned 2,420,558 feddans, or nearly half the cultivated area of Egypt, while 1,411,158 peasants, each owning less than 5 feddans, only owned 1,418,959 feddans between them." The intensification of agricultural productivity caused a decline in the quality of soil and perennial irrigation had devastating effects over rural health due to spread of bilharzia during the rest most part of the twentieth century.

47 Peasants were both unable and unwilling to mortgage their lands as they wanted to act with caution and prevent the loss of their lands; however, mortgage companies were also unwilling to provide small loans required by the peasants.

48 In agriculture, little investment in terms of mechanization or modernization of production had occurred even in the early parts of the twentieth century (Beinin and Lockman 1987).

49 Commenting on the structure of the employment in 1907 Egypt, Owen (1969: 294-95) wrote that "according to the 1907 census 376,341 people out of a total population of 11,287,359 were then engaged in what was classified as 'industry'. However, for statistical purposes the word was interpreted as widely as possible. It included, among other occupations, 45,500 hand-loom weavers and 10,622 railway workers. By comparison only a very few men were engaged in factory industry conducted on a European scale, that is in establishments which used sizeable quantities of capital and contained several hundred workers under one roof. Industries in this sense were confined to cotton-

The landed elite began opposing colonial rule, which they viewed as facilitator of foreign control over the Egyptian economy (industry, finance and commerce) (Beinin and Lockman 1987).[50] The advent of World War I (WWI henceforth) exposed the economic vulnerability of reliance on agricultural exports and this prompted a rethinking of economic development among the Egyptian elite. This shift in their thinking was linked to their desire to remove privileges such as exemptions from various taxes enjoyed by the foreign elite. The next step for the Egyptian nationalists (concentrated in the landed classes) was to embark on an import-substitution industrialization path in the 1920s.[51] Saad Zaghlul Pasha, the leaders of the nationalist movement was himself a big landlord. Just like Egypt's rulers in the 19th century, the newly emerging elite were intent on emulating Europe in order to compete in the world market. One lesson that the Egyptian political and landed classes had learned from the events surrounding the demise of Khedive Ismail and the occupation of Egypt by Britain was that a powerful banking sector was the linchpin of an independent and strong state.

Up until the turn of the century, a mutual interest linked to cotton united the Egyptian landed elite with the British merchant and administrative elites. However, by the first decade of the twentieth century, the Egyptian landed class became concerned with the increasing influence of foreigners in the economy. The landed classes therefore mobilized workers and peasants against British rule in the context of increased "economic burdens imposed on Egypt to finance the British war effort" (Farah 1996: 23). This led to the popular revolt of 1919 and eventually to final recognition of Egyptian sovereignty by the British in 1923.

The revolution of 1919 was an attempt to shift the balance of power from the foreign (mainly British) interests toward the Egyptian landed classes. Post-

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ginning and pressing, the manufacture of cotton-seed oil and cakes, and the two cotton mills, as well as the production of raw and refined sugar (which employed 15,000 men in 1907), the cigarette factors (3,000 men), and a number of small works making cement, bricks and other building materials, and food and drink products like alcohol, beer and bread."

[50] During the first two decades of the twentieth century, foreign companies continued to benefit from the system of Capitulations and the Mixed Courts, both of which guaranteed full freedom of action for foreign companies and without subjecting them to Egyptian laws (McIlwraith 1911). Mixed Courts ceased to function in 1949.

[51] The Nationalists were constituted of landlords, professional lawyers and bureaucrats and thus the economic program for the first half of the century was determined by their interests in the presence of an occupying power – the British.

independence, the Egyptian landed elite ensured their dominance of the political sphere by restricting the Parliament to the propertied classes who controlled the cabinet and both houses of the Parliament (Ibrahim 1994: 24). The first Prime Minister Saad Zaghlul Pasha headed the first liberal party – the Wafd Party. Having taken over the political apparatus of the state, the landed class next began identifying their economic goals.[52] They intended to assert more control over trade and thus the export of cotton, but also the general improvement of agricultural production and establishing financial independence (Hourani 1991). To accomplish these goals, the largest landowners alongside Egyptian cotton merchants pooled their wealth and formed the Bank of Misr (1920), the first major nationally-based financial institution in Egypt.[53] The Bank was followed by the establishment of the Egyptian Federation of Industry (EFI), and the Agricultural Syndicate, with the latter intent on finding ways to increase the price of cotton (Tignor 1984).

These organizations received a major boost through state legislation that guaranteed a local market for domestic goods and products, provided subsidies for domestic industries and kept freight rates for transporting of their products low. In addition to these gains, Bank Misr facilitated the formation of shipping companies, ginning and cotton-exporting firms, and a conglomerate of textiles factories in the 1930s thanks to the tariff reforms. The state began actively supporting the diversification of agricultural crops so as to move away from single crop (cotton) economy. Instead, a more viable agricultural policy of growing cereals and fruits was adopted by the agricultural syndicate. The state also became the main purchaser of cotton, as it had once before acted during Muhammad Ali.

These successes in economic diversification through industry building came to a halt by 1930. Despite efforts to create an independent source of financing, the Egyptian elite remained politically divided and failed to articulate a viable economic program. Pointing out the political instability that characterized Egypt between 1923 and 1950, Anderson (1968: 224) writes that "throughout this period [1923-1950] the average life of a Cabinet was less than one year, and there were general elections in

[52] Ismail Sidqi, who served as Egypt's Prime Minister in 1930-33, articulated the need for an industrial policy in order to deal with unemployment and diversify the sources of wealth accumulation.
[53] For more on the Bank of Misr and the context surrounding it, see Deeb (1977) and Tignor (1977b).

1924, 1925, 1926, 1929, 1931, 1936, 1938, 1942 and 1950. In addition, the king frequently acted in a very high-handed and arbitrary way." The focus of industrial development and all other projects of the state remained short-sighted, with no vision for the long-term development of the state and the crafting of mechanisms that would absorb different classes into the state. The ruling classes failed to strike an effective alliance to build the state and the economy.

Nonetheless, divisions among the Egyptian elite did not hinder them from prospering through their relationships with foreign capital characterized by competition and collaboration (Tignor 1977a; 1977b). Indeed, foreign investors, technical experts and financiers proved instrumental for the development of agriculture and thus the generation of wealth for the Egyptian landed classes in this period. However, the newly-founded political power and independence through the Parliament tended to favour a competitive relationship by the Egyptian landed elite. The 'Egyptianization' of the economy between 1923 and 1952 resulted in a shift of power in favour of the Egyptian landed/industrial classes and away from foreign investors. Beside the Bank Misr Group, others such as the Ahmed Abboud Group, the Amin Yehia Group, and the M. Farghaly Group, pressured the state to force foreign interests out of commercial and industrial sectors (Ibrahim 1994). Successive laws (especially Law 37/ 1951) passed by the Parliament facilitated the transfer of ownership of 12 per cent of cultivated land (about 600,000 feddans) from foreigners to Egyptian landed classes.

The Egyptian landed elite continued to prosper during the Second World War. The demand generated for services and goods during the Second World War provided another opportunity for the Egyptian industrialists to increase their fortunes.[54] Industrial development served the agricultural sector's needs (e.g., fertilizer and nitrate industries). Even some of the infrastructural changes that gave Cairo a face lift, were intended to facilitate the agricultural sector and other sectors of the economy linked to it. Thus, roads, bridges, railways, trolley lines, waste water systems and power grids were developed. Despite brief moments of increased demand for labour (during WWI and WWII), workers and peasants' living standards deteriorated. The

[54] The purchasing power of the Allied troops represented 25 per cent of the Egyptian national income (Hopwood 1982: 18).

initial success of ISI was dependent on the control of labour as the Federation of Industries vehemently opposed all pro-labour legislation and the free association of workers. Similarly, while the size of estates of the landed classes kept increasing, more and more peasants lost their plots of land either due to high taxes imposed on them, or due to lack of access to state credit. However, with the end of the War, it became apparent that the situation of a major section of the population had not improved. Egypt's population had increased from 10 million in 1897 to 19 million in 1947 while housing and land conditions had failed to match the population growth. The inequalities in land ownership gap widened, forcing peasants to reside in substandard mud huts as their incomes restricted them from building good quality housing. The result of these pressures increasingly forced rural population to migrate towards the cities and coastal towns.

Social Property Relations

The two poles of conflict at the end of nineteenth century involved struggles between, on the one side, the Khedive (Ismail) and his allies which included the military and the ayan who had enjoyed preferential land taxes (*ushri*) up to this point. On the other side were the British who found support among non-Egyptian landed interests as well as state bureaucrats who were subjected to a higher rate of taxation (*kharadji*). After the military occupation of Egypt, under Cromer (1883-1907), the balance of power shifted in favour of the latter group who favoured the colonial administration's tax reform program. Consequently, the khedive was deposed and exiled and his allies lost most of their power in the coming years. This relationship that emerged out of this conflict continued until 1915. After the independence of 1923 onwards, the Egyptian landed interests managed to regain their lost glory once again. This section discusses the unfolding of these conflicts and the changing patterns of social property relations.

Let us start by examining the processes through which the British colonial administration introduced a new balance of power among the elite. With the failure of the Commission of Inquiry, the colonial administration adopted the proposals of the

Commission.[55] First, the Administration stripped the ruling family of most of its landed estates and transferred these to local and foreign investors.[56] Foreign bankers took control of the estates of the Khedive and the ayan and then auctioned these estates in order to secure their loans. Next, in order to implement the proposed tax reforms, a Cadastral Survey was launched as a means to take account of over a million hectares of *ushri* lands in order to determine how much of the debt could be paid by the rich landlords who were mostly allies of the deposed ruler, Khedive Ismail.[57] Despite the massive amount of land that fell under *ushri* title, insufficient taxes were paid to the state as compared to *kharadji* landholders' contribution. Cromer (1908: 114) commented:

> At the time the Commission of Inquiry sat, 1,323,000 acres of land were held under Ouchouri, and 3,487,000 acres under Kharadji tenure. In 1877, the total amount of land-tax paid on Kharadji lands amounted to LE 3,143,000 as against LE 333,000 paid by the Ouchouri landowners.

Finally, to implement their agricultural policies, top posts within the state administration were kept for foreign, mainly British nationals. The outcome of colonial policy led to the subordination of the domestic elite to the Colonial

[55] The Commissioner had proposed that taxes on ouchouri (also spelled as *ushri*) lands should be at once increased by LE 150,000 a year. Other proposals included unification of different forms of taxes in order to reduce the burden of local taxes on the peasantry so that more taxes could flow towards the administration. The various taxes included professional tax, poll-tax, octroi dues, the 'droits de voirie', the market dues, the weighing dues, the dues on stamping mats and tissues, the dues on the sale of cattle and other minor taxes (Cromer 1908: 115, 121-22).

[56] At the end of his reign, Ismail and his family held 916,000 acres or almost one fifth of all of the taxable agricultural land making him the largest landowner in the country (Mitchell 2002: 76). Among those who purchased these royal estates were Boulos Hanna and Ahmad Abbud, who later on would play an important role in Egyptian economy

[57] It is true that at the end, peasants would be exploited in the process of tax collection, but the intention of the Commission was to discipline the elite of Egypt by taking away part of their revenues for the outstanding debt. From the accounts of Cromer (1908) it becomes clear that a colonial, paternalistic approach was adopted especially by the British who saw the Egyptian ruling class as backward and uninformed about how to balance their revenues and expenditures. Thus, the accumulated public debt was seen as an irresponsible behaviour by the ruler of Egypt who needed to learn about the art of government. As a solution to this problem, the British and the French proposed a parliament that could hold the ruler accountable and thus check his absolute rule, based on the historical experience of Britain and France. Of course, these experiments failed and Egypt was subjected to military occupation by 1882.

Administration and foreign investors.[58] Agricultural changes such as the unification of taxes shifted the balance of power in favour of the foreign elite as local landlords were subjected to increased taxation.

At the end of the nineteenth century, the relationship between peasants and landlords was deeply unequal:

> The typical arrangement was to employ the workers without payment or below subsistence wages on the labour-intensive cotton crop, which was grown on a three-year (sometimes two-year) rotation. On the land rotated out of cotton the workers grew food and fodder crops, each worker receiving a small plot to provide for the subsistence of his household and surrendering the rest of the crop to the owner. In some cases the workers rented rather than sharecropped their subsistence plots, but in either case the owner tended to retain control of irrigation and the choice of crops. Only the owners had a surplus to sell, so they alone had access to capital. The owners therefore provided the working capital for the subsistence plot. When workers were unable to repay this or other loans they were placed in debt bondage to the owner (Mitchell 2002: 72).

The changes in land relations did not remove all forms of peasant protection as the colonial administration was aware that in order to increase rural revenues, a bare minimum of the producers' livelihoods had to be guaranteed.[59] According to the laws of 1882, creditors could not seize "from small farmers their last five acres (feddans) of land, their essential farm tools, two draft animals, and their house" (Mitchell 2002: 71-72).[60] Even at the turn of the century, farm workers were given their own small plots, which they cultivated for their own subsistence, after giving the surplus to the landlord. Despite such means for provision of subsistence, small farmers and

[58] This first phase of change led to the first major nationalist revolt in Egypt; this became known as the Arabi Revolt of 1982.

[59] In a study of four villages in Lower Egypt, John Chalcraft (2005) found that peasants comprehended the nature of power rivalry between the colonial administration, the khedive and local power holders (sheikhs and umdas). With this knowledge, peasants often appealed to the more powerful faction of the afore-mentioned elite for justice.

[60] Given the on-going concern of the Colonial Administration with increasing agricultural surplus, this law was reintroduced under the title of 'Five Feddan Law of 1911' with the same goals (Hansen 1991: 51).

peasants did not enjoy security of tenure and thus the failure to make regular rent payments often resulted in debt bondage. By 1914, small farmers who constituted 90 per cent of all landowners owned only a quarter of the land with the remaining ten per cent of the large landowners controlling three quarters of the agricultural land (Hopwood 1982: 17-18).

Waqf lands also played an important role in providing an alternative option to peasants. One-eighth of the cultivable lands of Egypt and most of the land in Old Cairo fell under the *waqf* category and was managed by the Ministry of Endowment (also known as Ministry of *Awqaf* or *Waqf*). *Waqf* land holdings used for charitable purposes were exempt from land reforms throughout most of the nineteenth century and first half of the twentieth century (Abu Lughod 1971: 78-79).[61]

Nonetheless, peasants' condition under the British rule worsened as the burden of taxation increased as local landlords and colonial administrators competed for their surplus. Consequently, the main beneficiaries of colonial rule tended to be foreign nationals who gained large estates while being exempted from various taxes (agricultural land, urban land, personal and property taxes). European control over Egyptian lands doubled over the course of the 1880s constituting the main grievance of the local power holders against foreigners and finally leading to the revolution of 1919 (Ezzelarab 2004a).

In this period, most fertile lands were transferred to the state or the ruling class with the use of new systems of land registration as in Palestine, Jordan and Iraq.[62] Peasants either experienced a decline in their living standards as landholdings became subjected to increased taxes, or lost access to their traditional cultivation rights which had persisted until the 1880s. High levels of debt resulted in the loss of land as the *izba* system (large estates) spread and brought along a rise in private land leases. In the process of this rural transformation peasants became tenants, sharecroppers or day labourers.

Peasants responded with violence in instances where they felt their commonly-held land was sold off to foreigners. Tucker (1985: 12) cites one such example: "In

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[61] *Waqf* tenure form shielded a substantial portion of urban real estate as well as agricultural land, because such lands were unalienable and could not be pledged against a loan as collateral.
[62] However, in Egypt and parts of Syria, "a balance between production and population" continued to remain (Hourani 1991: 295).

1898, after the firm of John Lagonico bought an extensive piece of land in the province of al-Gharbiyyah over local protest, the company's workers became the object of systematic campaign of harassment waged by neighbouring peasants who prevented them from opening canals and even, at one point, launched a coordinated attack of 300 strong." There were indications of a rise in crime and in the number of prisoners under the colonial rule, corresponding with rising levels of rural poverty. Tucker (1985: 147) refers to the accounts in the Annual Reports of the Consul-General:

> ...between 1900 and 1905 for instance, the number of 'crimes' or felonies, a category which included murder, robbery, destruction of crops, poisoning of cattle, arson, rape and indecent assault, rose from 1,290 to 3,011; by 1913, 4,096 such crimes were recorded. While the number of such offenses relative to a population of some 10,000,000 to 12,000,000 remained modest, an upsurge in murder, robbery and especially the typically rural crime of arson is well documented.[63]

The authorities responded by building ten new prisons by the end of 1905. Following the proliferation of prisons, labour camps were established across provinces where convicts were used to dig canals and build roads.

In the period leading up to WWI, landed estates mainly remained under the control of Egyptians however the economy in general was dominated by foreigners (including European companies and individual investors) (Beinin and Lockman 1987). Land ownership structures continued to grow more unequal. Over 40 per cent of cultivated land was owned by large landowners (owning 50 feddans or more). Only 20 per cent was controlled by smallholders who had 5 feddans or less. One fifth of the largest estates were controlled by foreigners. At the bottom were tenant farmers and day labourers who were landless (Hourani 1991: 289).

As late as 1930, private property rights included the private ownership of villages, and landlord-peasant relationships were still essentially feudal. Village landlords were seen as 'the absolute master' who not only owned the tools, the land,

[63] Between 1885 and 1913, there were between 10,000 and 15,000 prisoners in Egyptian jails (Tucker 1985: 160).

but also provided housing for labourers, albeit in return for a rent in kind (Mitchell 2002: 68-70). Elgood (1927: 311) described the arbitrary nature of land relations at the level of individual village in the 1920s in the following terms: "Round the Omda, the headman of the village, all rural life revolves: he can make the village a hell or a paradise for its inhabitants at his will." This reflected the uncertainty that was the defining feature of social property relations in rural Egypt in the first decades of the twentieth century.

The period from the 1930s to the 1940s witnessed a series of agrarian legislation that aimed to increase yields and bring unused agricultural land under cultivation. Land Law 1936 recognized customary land tenure on state lands so long as the land was cultivated on a regular basis.[64] After five years, unused land became subjected to redistribution to anyone willing to cultivate it. The Egyptian Civil Code was another major piece of legislation that was enacted in 1949.[65] The manner in which the Code sought to regulate land tenure proved controversial not only among the peasantry, but also among those who wanted to introduce modern European systems of tenure. On the one hand, the Code provided protection for peasants against landlord abuse; on the other hand, it extended the absolute power of the ruler to a vast portion of land in Egypt. Other agrarian laws resulted in a transfer of land from foreign land companies (e.g. Crédit Foncier Égyptien) to Egyptian landed elite through the creation of Egyptian sources of financing. An estimated 600,000 feddans

[64] The Civil Code "gave people the right to own and to have a title for state 'public' lands if they held them, without any outside disputes or claims, for more than 15 years prior to 1936. In addition, other people who held, occupied and used a piece of state land without permission – even for less than 15 years – could own it but over a further 15 years period. This right would be withdrawn if the land were not used in the first 5 years of this allowed period" (El Araby 2003: 434).

[65] According to the Egyptian Civil Code, "...in the absence of an applicable law the Judge will base his decision on custom, and in the absence of custom, on principles of Muslim law" (Ziadeh 1978: 246). El Araby noted: "The Egyptian Civil Law considered the uncultivated and un-owned lands as state lands. Therefore, the state could sell, rent or give these unclaimed lands to whomever it considered suitable and capable of using this land… All of these factors created six land tenure types. They were state owned land; endowed wakf land; free hold landlords; holders of *mawat* ('dead') or 'state' lands; renters; and unclassified and potential owners who did not have a clear title for their lands. The effect of these types of land tenure significantly influenced the process by which land was used, transferred, invaded, or transformed, and has affected potential informal land development in recent years" (2003: 434-35). The Egyptian Code was influential in other places such as Syria, Iraq and Jordan where it revived old forms of land tenure such as *miri*, *waqf* and *mulk* (Sait and Lim 2006).

of land were transferred to rich Egyptian landowners (Hourani 1991: 379; Ibrahim 1994: 23).[66]

By the 1940s, Egyptian society was gripped by a polarization of wealth and concentration of land ownership in the hands of a minority. While subdivisions had reduced the share per family in land, the unequal landownership structure could not be overlooked. According to Sadowski (1991: 55):

> Fully 44 per cent of rural families were totally landless and had to work either on large estates or as migrant labourers. Landless peasants faced three brutal options: to join the sharecroppers on a large plantation, to join the casual labourers who maintained the canals and irrigation works, or starvation. For each member of the elite who owned fifty feddans or more, there were literally a hundred families who were completely landless.

Land concentration in fewer and fewer hands reduced not only the number of small farmers but also the total number of big landlords. The latter shrunk further from 14,000 (owning two million feddans) at the turn of the century to 12,000 (owning 2.6 million feddans) by 1950 (Ibrahim 1994: 22). This concentration of land took place in the context of rising cotton prices and high rents.

The crisis in land ownership grew grimmer during WWII as military demands for grain created further shortages of food for peasants. While a small number of commercial farmers profited from this shortage of grains, landlords in general began fearing the possibility of a social revolution.[67] As the war came to an end in 1945, social tension levels continued to rise with the loss of employment for a large number of workers and reduced pay and benefits for state employees. A rising cost of living and increasing levels of rural and urban poverty gripped the Egyptian population in

[66] The centrality of agriculture to the Egyptian economy is reflected in the sector's share of value-added production in the whole economy. As O'Brien (1968: 163) observes: "As late as 1952 no less than 57 per cent of the net value added by industry emanated from processing foodstuffs, ginning, pressing, spinning and weaving raw cotton, tanning leather, and the manufacture of fertilizers and implements utilized by farmers. Even at that date 39 per cent of total inputs of Egyptian industry represented raw materials purchased from local farmers."

[67] The ruling Wafd Party, keen to neutralize the rising anger among the peasantry, argued that rising poverty was not so much linked to ownership structures or absence of redistribution, but to the terrible sanitary conditions that peasants lived under. This was the time when the first project for rural housing was launched (Fathy 1989; Mitchell 2002; Beinin 1998).

this period. Government inaction was compounded by an elite that was unwilling to share even a small fraction of their wealth with the rest of the population. The Egyptian state proved to be a failure not only because it could not devise any social policy; but even if devised, it lacked the administrative support and structures that could put such a policy into practice. As Marlowe (1965: 377) observed: "more decisive than this technical inability was the unwillingness of the Egyptian ruling class to make any contribution either to the finances of the state or to the well-being of the people. Power was generally regarded as a means towards self-enrichment, self-aggrandisement, and as an opportunity for dispensing patronage among relatives, friends, supporters, and hangers-on."

Housing Provision, 1882-1952

The re-organization of space in Egypt under the British focused on canal development and infrastructure improvement to facilitate transportation of cotton to ports. Modern housing was developed for foreigners residing in major cities of Egypt and the Europeanized Egyptian elites. Workers and peasants continued to reside in self-built housing or in older parts of the urban centres where they could afford rents. The outcome of this preferential urban policy was a reproduction of spatial differentiation that had occurred under Ismail. Thus, two of the major urban centres – Cairo and Alexandria – continued to remain central under the colonial administration with infrastructural and housing changes mainly affecting these two cities.

Following the precedent of Ismail's urban development model, the British continued to build the northern and western parts of Cairo and the modern parts of other Egyptian cities. The increase in foreign population and their need for modern housing attracted European companies in housing construction in Cairo and Alexandria. Thus, private firms provided municipal services such as clean drinking water, gas and sanitary services. During the first decades of the twentieth century, large foreign contractors built modern housing in suburbs of Heliopolis, Maadi, Hadayeq-el-Qubba and Doqqi. These were mostly inhabited by foreign nationals. A growing demand for garden cities and resorts by foreigners was met by private foreign firms such as the Belgian firm that developed Heliopolis as a suburb of Cairo by providing infrastructure and connecting it to Cairo by extending the metro.

Heliopolis was established by Baron d'Empain of Belgium, who had also established the Cairo Electric and Heliopolis Oasis Company in 1906. The 6,000 acres of land for the Heliopolis project was obtained at one Egyptian pound per acre from the colonial administration (Dobrowolska and Dobrowolski 2006:45). Heliopolis became the city of luxury and leisure with broad avenues, public spaces and finally a railway line connecting it to the rest of Cairo.[68] The Belgian company, Heliopolis Oasis Company, planned several modern buildings and offered apartments on 15 year mortgages at very low interest rates. Heliopolis offered houses for purchase and rental apartments, but they were restricted to wealthy Egyptians and foreigners.[69] Other housing luxury housing projects followed suite of Heliopolis during the first decades of the twentieth century. Districts such as Zamalek, Ma'adi and Garden City in Cairo were designated areas for the rich who lived in privately owned villas. These cities demarcated a new division in the urban social fabric as they became associated with foreigners and thus colonial rule.

Urban development and housing were affected by the system of capitulations that were introduced in the nineteenth century. Concessions offered to foreign nationals and foreign companies during the nineteenth and early twentieth century remained in effect even after political independence was achieved by Egypt. As a result, foreigners remained in control of municipal development and utilities. For instance, French and Belgian firms were responsible for the delivery of gas and transport. The absence of legal control and thus insulation from public pressure and accountability, determined the performance of foreign firms as they sought profit without consideration for service delivery. Capitulations remained in force until 1937 which meant foreigners were exempted from taxation thus depriving municipalities from much needed taxes and subsequently resulting in stagnation of services.

[68] Heliopolis became the first of many desert cities that would be expanded under Sadat and Mubarak; however, whereas Heliopolis had succeeded in attracting the desired number of residences, the newer desert cities failed to do so.
[69] Foreign companies, such as the Anglo-Belgian Company offered housing for sale and rent in the 1930s.

Indeed, among Egypt's major cities, Cairo was the only one that failed to establish its own independent corporate identity until 1949.[70] As such, during the first decades of the century, the British and the French entrepreneurs delivered services and infrastructure in Cairo, while the Ministry of Finance and Public Works carried out a Project of 'beautification of Cairo' at a cost of LE 130,000 for the year 1926 (Rizk 2001). Catering to popular neighbourhoods, the Project entailed paving streets, planting trees and creating green spaces. [71]

In general, housing conditions of the majority remained neglected, and enabled major epidemics and disease to strike twice during the first decade of the twentieth century. Outbreaks of measles and cholera hit Egypt in 1904 and 1909 respectively. Plagues, which had been brought under control in the first half of the nineteenth century, returned under colonial rule. Lord Cromer admitted that sanitation, despite being in a "deplorable situation" was too costly for the colonial administration and thus not a priority (Tucker 1985: 116). Thus residents suffered from untreated drinking water contaminated by slaughterhouses and stagnant ponds which spread diseases. Public toilets were non-existent and there were no sewer treatment facilities leaving houses exposed to human waste. Mitchell (1988: 163-64) highlighted the deteriorating nature of housing of workers and new migrants in the following:

> As poverty, malnutrition and unemployment increased, this 'Oriental' quarter and other backstreets where the poor found room to live became rapidly more cramped and more decrepit. 'The poorer classes are being more and more crowded into 'slums' of the worst type,' wrote the *Egyptian Gazette* in an editorial of February 1902. 'No new houses are being built for their accommodation and the rising rent roll is constantly limiting the

[70] Alexandria acquired municipal status in 1890 long before Cairo and thus did not encounter the same degree of housing pressures or urban problems as Cairo. It was only in the 1970s and after that Alexandria developed major housing and urban infrastructure problems. This differential development of the two major urban centres is also reflected in the academic works which are heavily focused on Cairo.

[71] Investors acquired government land very cheaply and built with an eye towards future profits. Under these circumstances, the demand for land increased land prices and benefited speculators. Building permits issued in the years 1907 and 1908 were triple the number of those issued in 1880s. Cairo's built-up area increased from some 1,000 hectares in 1882 to 16,331 in 1937. This also meant that a large number of workers were hired in the construction industry (21,744 in Cairo out of a total of 94,989 in Egypt) (Raymond 2001: 322).

> numbers that are still within their reach. Hence, in the byways, the backstreets of all quarters of the town, as well as in the suburbs, there is an ever enlarging number of houses in which families are packed together in numbers and under conditions that render these places the exact counterpart of the slums of Europe and America.'

After 1915 when Egypt was declared a British military base, many peasants were drawn into Cairo and other major cities in search of better wages. Although Cairo's population remained fewer than one million at the turn of the century, housing problems began to emerge in urban Egypt forcing migrants to settle in tombs or over-crowded spaces in the older quarters of Cairo and Alexandria. During the first decades of the twentieth century, workers' housing conditions did not ameliorate much and instead due to demand generated during the war, housing shortages increased. To meet the pressing demands of wartime (WWI) economy, the government built two workers' housing projects but other residents predominantly resided in housing sprawls, cemeteries etc.[72] Taking advantage of the rising demand for housing in this period, landlords charged high levels of rent leading the government to fix the rents during the War. However, in 1925 threats of eviction by landlords forced the government of the Prime Minister Ahmad Ziwar Pasha to rescind rent controls (Rizk 2001). With the dismantling of rent controls, new arrivals from rural areas were forced to find shelter in tombs – Cities of the Dead. As Abu Lughod (1971: 174) noted:

> ...the 'City of the Dead'...increased its resident population from about 3,500 in 1907 to 7,444 by 1927. In the former year most residents in this zone were employed in the stone quarries nearby or as custodians of the tombs. In contrast, many of the newcomers who settled in the zone between 1917 and 1927 had little reason, except the housing shortage, to choose this location, for few of them had jobs that tied them to the 'local resources' of the district.

[72] The only publicly constructed housing project was workers' city in Imbabah, with about 1000 housing units.

However, to stop the trend of squatting in cemeteries, a government Decree in 1926 prohibited anyone from staying in the cemeteries beyond the sunset (Rizk 2001).

In the 1930s and after, scholars have attributed the rising level of urbanization to population growth, increasing parcellization of land and a widening gap in landownership (Botman 1991; Abu Lughod 1969; Issawi 1969). In 1917, Egypt's total population was 12,670,000 of which Cairo's share reached 790,000. Three decades later, in 1947, the country's population had reached 18,806,000 while Cairo's share standing at over 2,000,000 with the latter indicating an increased rate three times that of the country as a whole (Botman 1991: 21-22).[73] In general, the provision of housing for workers and peasants in this period remained the responsibility of private individuals. Formal housing for workers only began to appear after WWII in southern Cairo and in Helwan.

Prior to WWII, there is no indication of an acute housing problem despite housing shortages that occurred during episodes of rural-urban migration. One housing expert noted that before the 1940s, "in both the rural and urban areas there were enough houses to meet the demand" with rents not exceeding 10-25 per cent of income (Hanna 1985: 191). As was the case during WWI, in Cairo, the war-time economy had attracted many peasants in search of jobs. Rural-urban migration which had remained marginal until the first decade of the twentieth century witnessed a spike. It was in this period that workers and migrant peasants were exposed to harsh housing conditions as rent levels surpassed inflationary wages. The rental market had become saturated due to rising demand for rental apartments and a scarcity of construction material. In the absence of state housing policy, unplanned and random extensions began to appear in Imbabah, Mit Okba, Kom El-Gharb, and many others.

Parts of Cairo such as Boulaq, Road El-Farag and South Cairo developed informal housing areas. The Eastern part of Cairo became the main hub of new rural migrants. The only regulation of urban development came through the Subdivision Law (52 of 1940) which set very high standards for building and public space and infrastructure. Taking advantage of the rising demand for housing, landlords began exacting high rents from their tenants.

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[73] Cairo's population between 1882 and 1937 increased by 250 per cent from 374,000 in 1882 to 1,312,000 in 1937 (Raymond 2001: 319).

The rising demand for rental apartments combined with an unregulated rental market mainly controlled by foreign capital sparked a debate on rent control leading to rent control measures during in the 1940s.[74] In June of 1941, the government issued Decree No. 151 which prevented landlords from increasing rents from what was stated initially in the contract or terminating rental contracts. All of these matters had been taken over the courts and, therefore, out of the hands of the landlords. In 1947, the government passed Bill 121/1947 to freeze rents at the value paid in April 1941. The law excluded houses built after January 1, 1944, which meant the newly constructed houses were let at much higher rent levels (until 1952 rent control laws were passed).

In sum, the outcome of the colonial housing policy was a reproduction of the duality in space that began in the mid-19th century. Thus, new parts of Cairo and Alexandria were developed to serve the needs of foreigners, colonial administrators and local elites while the older quarters of cities were left untouched. The latter continued to attract new migrants and became overcrowded and with dilapidated infrastructure, lacking services such as clean drinking water or waste disposal. The new migrants tended to overcrowd on the edges of the desert or in old quarters of the city where new structures (e.g. rooftop and shacks) began to appear and dominate the landscape. The duality of space came to reflect the differences in wealth whereby the poor occupied the older quarters and the rich resided in the newer, more developed parts of the cities.

During the first nationalist phase of ISI, housing conditions continued to deteriorate despite attempts by the government to regulate rents. Rising demographic trends and an unmet demand for housing compounded with fleeting employment opportunities provided the ingredients for a revolution that was to come. The combination of economic and social ills had created a polarized society. At the top of the socio-economic pyramid were the landed elite who dominated the industry and controlled the political structures of the state. Below them were the bureaucrats who felt marginalized because of foreigners and whose salaries could not cope with the rising cost of living. Similarly, Egyptian workers suffered as war-time employment

[74] From the 1930s on, private foreign firms began offering rental apartments (up to 1000 units) while smaller Egyptian builders offered smaller scale units for rent (Bayad 1979: 147, 231).

disappeared while peasants continued to suffer from a lack of land for subsistence and thus resorted to strikes and protests.

By the early 1950s, calls for nationalization of the Suez Canal Company were echoed from the Egyptian Communist Party and the Muslim Brotherhood. These calls for nationalization of foreign assets were tamed by the 'Egyptianization' of firms and companies. The Egyptianization of industry and agriculture did not weaken foreign power but rather strengthened a faction of the Egyptian elite enabling them to act as partner with those foreign powers. Thus, Egyptianization cannot be characterized as a process of nationalization which signifies the removal of the foreign powers over aspects of the economy. These grievances combined with the failed Anglo-Egyptian negotiations kindled the flames of nationalism and strengthened the power of the Muslim Brotherhood and its supporters.[75] The breaking point in British control over Egypt began in 1951 when serious fighting between Egyptian guerrillas and British troops broke out. The breakdown of order provided a power vacuum which was captured by the Free Officers who seized power in July 1952 and declared Egypt a republic.

Conclusion

This chapter examined the modern history of state formation in Egypt spanning the period between 1805 and 1952. The first section offered a discussion of the evolution of the state and the accompanying changes in social property relations reflected in

[75] Prior to 1945, the British motivations in Egypt were primarily shaped by the Empire's concerns to protect the Suez Canal – and thus its trade routes and imports from India – than by investments and profits from Egypt. The levels of English investments in Egypt in contrast to French capital in Egypt in this period remained low. As Tignor (1987: 482) writes: "French holdings in Egypt-private and corporate-were estimated at more than LE 200,000,000, nearly three-quarters of which were the value of shares and bonds of the Suez Canal Company held by French investors. The other major holdings were the Egyptian public debt (LE 14 million), the Credit Foncier Egyptien (LE 14 million). The Cairo Electric Railway and Oases Company (LE 2.4 million), and rural and urban property (LE 1.8 million). The most heavily capitalized French business (the Suez Canal Co. excepted), the Credit Foncier Egyptien, enjoyed the financial and political backing of such major French financial organizations as the Crédit Foncier de France, the Société Générale, and the Crédit Loyannais." Nevertheless, British interests remained divided over the decolonization of Egypt and the establishment of a neo-colonial relationship. While economic interests favoured an official recognition of Egyptian autonomy which would facilitate the launch of a neo-colonial relationship between Egyptian elite and Britain interests, British military powers, under influence of conservative forces were not yet willing to let go of Egypt and of British legacy of colonialism. British businessmen feared that if some concessions are not made, the nationalist movement would bring to an end the profits that British firms reaped from Egypt.

land and housing prior to the arrival of the British. Property relations were shaped by various factors that came into play such as customary rights to village organization of production and elite desire to increase their surplus. In the second section, I traced the socio-political and economic changes that occurred under the British rule. Furthermore, this section examined the changes in property relations that materialized under the British colonial administration which oversaw a reorganization of property relations by reducing the power of one particular faction of the Egyptian landed class while empowering European investors.

This chapter demonstrated that the nature of accumulation did not radically change during the century and a half as cotton remained the main export crop. Political accumulation thus characterized not only Muhammad Ali's strategy of wealth appropriation but also what occurred under the British rule. Given the smaller population of Egypt prior to the 1950s, and the availability of land to exploit, the rulers of Egypt did not feel the need to enact a policy of mass dispossession. Lack of housing did not become a pressing issue until after the 1950s when rural-urban migration picked up pace. A national housing policy as such did not exist in the periods under study in this chapter however the state did play a role in meeting the needs of the elite and foreign investors for housing.

The next period in Egyptian history witnessed a social revolution that overturned the power relations that had dominated Egypt since 19th century. In Chapter Five, I examine the launch of the first Egyptian national housing policy as Egyptian society began a radical phase of transformation in social property relations motivated by the ideals of 'Arab socialism'.

Chapter 5. Statism and Socialism under Nasser: Re-ordering Property Relations

The Revolution of 1952 brought about a reorganization of social power in Egypt. These transformations occurred through a number of specific phases under the Free Officers' rule. The first phase witnessed the adoption of a series of policies which aimed to marginalize the economic power of landlords and monopolists (Azim 1989). This task was complicated domestically by a prolonged investment strike by ruling class forces, and internationally by foreign intervention surrounding the Suez Crisis. By 1956, the revolution entered a more radical nationalist phase that resulted in the nationalization of key industries. By 1961, a more radical socialist phase was adopted with the development of the ASU.

Throughout the Nasser period (June 23, 1956 – September 28, 1970), the revolutionary regime implemented a series of land reforms and rent control laws that sought to empower workers and peasants, and mobilize a basis of support against the domestic enemies of the regime. While these reforms had far-reaching implications on existing social relations in Egypt, the regime's inability to effectively build a long-term political base, coupled with the devastating defeat in the 1967 war with Israel, left the regime vulnerable to attacks from conservative forces. This chapter examines the Nasserist regime's policies and their impact on re-ordering property relations. The first part examines economic development policies under Nasser. The second section examines the impact of Agrarian Reform on class formation and social property relations in the countryside. A third section provides a study of housing policies in relation to the regime's macro-economic policy of ISI. The final section assesses the contradictions of Nasserism.

Economic Development

Prior to 1952, Egyptian society was marked by gross inequalities. The political and economic systems were dominated by an alliance of landowners and industrialists who had benefited from British colonial rule. Industrialization remained limited in scope as only consumer goods industries linked to the export sector, such as food processing and textiles production, had been developed. As a result, the industrial labour force remained small, receiving low wages and lacking basic labour rights. The landowners and industrialists expanded their share of wealth during World War II, either through monopoly pricing or through joint ventures with various European powers. However, no long-term vision for economic development, social justice or redistribution of wealth was conceived by the ruling class.

As shown in Chapter Four, the period between 1945 and 1952 was a turbulent one as the gap between the rich and the poor increased, leaving many without the means to a decent livelihood. The continued presence of the British and the collaboration of the Egyptian elite with them mobilized public protest and anger calling for an anti-imperialist struggle. It was in this period that an organized faction with the military – the 'Free Officers' – came to power in a coup in 1952 with the intent of ridding Egypt of both the descendants of Muhammad Ali's dynasty as well as the lingering British political and military presence.[1]

By 1953, the Revolutionary Command Council (RCC) began planning for an initial three-year transitional phase. A six-point program was implemented with the aim of eradicating imperialism, abolishing feudalism, eliminating monopoly capital, establishing social justice, building a strong national army and establishing democracy. This program reflected their desire for modernization, social justice and state building, but it did not amount to a coherent blueprint for the development of policy.[2] Their policies, therefore, were the result of trial and error and their goals were constantly being re-articulated.

During this first phase of the development program (1952-56), an agrarian land reform was implemented with the hope of freeing up capital for industrial

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[1] While Egypt was formally independent, Britain maintained a military presence in the country under the pretence of protecting foreign interests and foreign minorities as well as ensuring the protection of 'imperial communications', i.e. the Suez Canal and defending Egypt against foreign aggression.
[2] While this program remained quite general, the Officers set out their vision of modernization and economic development in clearer terms focusing on agricultural development and the building of the High Aswan Dam. The following organizations were created to implement the industrial policy: the Permanent Council for Development and National Production (1952), the Industrial Bank (1952), the Permanent Council for Social Services (1953), the General Petroleum Authority (1954), and the High Dam Organization (1955).

development. The Officers, given their diverse ideological background, kept an open door to private sector's participation in the economy and demonstrated their good well by passing pro-investor laws. For instance, Law 120/1952 abolished the need for 51 per cent Egyptian ownership of industrial enterprises while Law 156/1953,

> ...allowed foreign enterprises during the first six years of an investment to repatriate profits annually up to the 10 per cent of capital invested, and after that up to 20 per cent annually. Not only that, but it also became legal for foreign capital to own 100 per cent of shares of new industries.... In case of project failures, other laws granted full fiscal exemptions to new industries and allowed foreign companies to re-export all of their capital after only one year of operation (Farah 2009: 32-33).

The Officers emphasized unity, order and hard work as their priority at this stage of development and declared labour's strike action illegal.

Despite such incentives, private capital did not show any interest in participating in the economic development program of the Free Officers, and engaged in a prolonged investment strike to cripple the new regime. As a result, private gross investment declined from LE 112 million in 1950 to just LE 39 million in 1956, with most of the investment occurring in unregulated sectors such as urban real estate and construction (Farah 2009: 33).

The unwillingness of the private sector to respond to the regime's investment incentives forced the regime to launch a program of nationalization in 1956 in order to acquire the necessary capital for industrial investment.[3] The major challenge in this period was the nationalization of the Suez Canal. After the U. S. declined to aid the building of the High Aswan Dam, the regime decided to nationalize the Canal and use its revenues to support industrialization. This move was not welcomed by Britain and France who had controlled the Canal since the late nineteenth century. Israel, too, felt threatened that it might lose access to the Canal after its nationalization and joined France and Britain in what became known as the Suez War of 1956. Subsequently,

[3] Military Order No. 5/1956 led to sequestration of foreign firms in Egypt (Wahba 1994: 56).

the Soviet Union built the High Dam using Soviet equipment and technical skills. The Dam was inaugurated in May of 1964, but it officially opened in January of 1971.

The shift to a socialist development model occurred in 1961. The model entailed the development of heavy industry and infrastructure supported by agricultural revenues and progressive social policies. The newly formed ASU was created to carry out the revolution. The ASU proved much more effective in organizing the Egyptian society than its predecessors, the Liberation Rally and the National Union. Membership of the ASU, which was open to all citizens except capitalists and landlords, had reached 5 million by 1954. The regime's goal was to use the ASU to establish cooperation among workers, the army, peasants and students (Hopwood 1982: 91). Under its direction, a series of radical reforms extended state control over the financial sector and various industries such as: banks, insurance companies, transport, heavy industry, textiles, sugar refineries, foodstuffs, public works, construction, hotels, department stores, cinemas, theatres, newspapers and publishing houses. Enterprises that were not covered by the nationalization law were forced to convert 50 per cent of their shares into public property while individuals were allowed shares of no more than LE 10,000. Egyptians earning income in excess of LE 10,000 were subjected to 90 per cent tax rates (Waterbury 1983: 225).

A Five Year Plan (1960-65) was implemented that saw the public sector grow to account for 90 per cent of all non-agricultural domestic output, 45 per cent of domestic savings and 90 per cent of gross domestic capital formation (Farah 2009: 35). The labour force grew from 6 million to 7.3 million workers over the course of the plan period (Farah 2009: 35). The socialist laws of 1961 extended many rights and benefits to workers. Unions were legalized, albeit with certain restrictions on their political activity, and granted collective bargaining rights. The ASU defended workers against unfair dismissals especially in nationalized industries. Workers began to enjoy a shorter working week, minimum wage, sick pay, holidays and social insurance. Workers were also able to sit on the boards of companies, participated in management decisions and profit-sharing schemes (Waterbury 1983).

A number of external events, including the failed union of Syria and Egypt (1958-61), the Yemen War (1962-67), and the Arab Israeli War of 1967, negatively affected the course of the revolution. The most important factor was the defeat in the

1967 Arab-Israeli War. The war drained public sector investment and reduced subsidy levels, resulting in significant public sector retrenchment and a gradual move towards empowering the private sector. The state increasingly relied on private credit sources to support public sector activities related to investment, production and export, which resulted in rising inflation levels and depressed public consumption levels.[4] It also made Egypt dependent on politically unsympathetic foreign creditors such as the Gulf States. The economic crisis was intensified by the rapid growth of population and the rising demand for subsidized services and food. In industry, there was a large degree of idle capacity and overstock of industrial products in many firms. Prices were increased in order to reduce consumption levels and mineral exploration came to a halt after Israel occupied the Sinai region. While Nasser's regime did not cut public sector employment, the regime anticipated the hard times were ahead. As *Time Magazine* (August 4, 1967) reported Nasser conveyed these concerns to the public in the following terms at the time:

> 'We must eliminate all privileges'...[The post-War budget] imposed higher taxes on the middle and upper classes, raised workers' compulsory monthly savings by 50 per cent, reduced overtime pay, cut the sugar ration by a third, and curtailed practically all major industrial programs. Only military expenditures were increased, by $140 million to an estimated $1 billion, exclusive of some of the hidden barter arrangements with the Soviet bloc.

While the War of 1967 negatively affected the industrialization program, there were other issues that complicated achieving the goals of industrialization. Highlighting a lack of coordination between the various sectors of the economy, the Egyptian Prime Minister Ali Sabri (1960-65) stated:

> ...when the First Five Year Plan was drawn 'there was no adequate scientific study of the inter-relationships between the different sectors of the national economy, nor of changes in these relationships following the

[4] On June 5th, within three hours, Israel succeeded in destroying at least 300 of Egypt's 430 combat aircrafts, many of which were still on the ground as pilots did not have time to take off. At the end of the 1967 War, eighty per cent of Egypt's military equipment was destroyed, 10,000 soldiers and 1,500 officers killed, and 5,000 soldiers and 500 officers captured (Hopwood 1982: 74-76).

> change of the rates of growth in the sectors. There was also no sufficient coordination on either the planning or the implementation level between the sectors of the national economy as a whole or between the projects included in each separate sector… [I]n spite of the extensive efforts made by the planners, they did suffer from a dearth of the basic data: capital-input ratios, propensities to save, consume, and import, income and price elasticities of demand and supply, technical coefficients etc. Thus 'our need for imported production requirements far exceeded what was estimated in the plan'*[sic]* (Al Barawy 1972: 304-05).

Beside these administrative difficulties at the planning level, a set of domestic and external challenges complicated the building of a new state on the ashes of the old regime. The next section assesses the difficulty of re-ordering property relations and challenging the existing power relations.

The Agrarian Land Reform Program

The *Agrarian Land Reform Program* was launched in 1952 and progressed through two distinct phases. The first represented a nationalist phase of reform between 1952 and 1961. The second beginning in 1961 represented a more radical, socialist phase of agrarian reform. The goal of the first phase was to break the power of the landed class and organize agriculture in a manner that would support industrialization. However, there was no plan to nationalize the agricultural sector. The justification for land reform came from a long history of exploitation in the Egyptian countryside. A small minority, including members of the royal family, owned millions of feddans whereas millions of peasants were either landless or had small plots that were insufficient for subsistence. For instance, in 1945, ninety-four per cent of landowners controlled a total arable area of 34 per cent whereas 0.02 per cent of landowners controlled 11 per cent of all arable lands (El Morshidy 1952: 378). By 1952, 20 per cent of the land was owned by 2,000 owners while 2 million peasants and small farmers owned 13 per cent of the land (Hopwood 1982: 125). Peasants were subjected to exorbitant rents without any protection by the state. Said (1972: 8-9) pointed out that "some ninety great landowners had estates each worth more than two million pounds."

The Ministry of Agrarian Reform was created to carry out the effective redistribution of land. There were three dimensions to Agrarian Reform. First, a ceiling was introduced which limited landownership to 200 feddans in 1952, 100 feddans in 1961, and finally, 50 feddans in 1969.[5] The second aspect of the reform program fixed the terms of land leases in an attempt to alleviate the exploitative landlord-tenant relationship. The third aspect involved organizing the redistributed lands through agricultural cooperatives.

The state carried out the confiscation of the estates of the larger landowners and abolished private *waqfs* and *hikr* land titles in order to undermine the power of the religious authorities. Individuals, whose lands were confiscated, with the exception of the members of the Royal family, were offered indemnity, in the form of state bonds, redeemable in thirty years at 3 per cent interest.[6] The value of the indemnity was equivalent to ten times the land rent or seven times the basic land tax (Al Barawy 1972: 73).

By 1961, the second phase of land reform, which Allain Roussillon (1998: 344) called a "revolution within a revolution", began with a recognition of the failure of past land policies. In this phase, the stock of land for redistribution expanded through a number of measures. The first was the confiscation of foreigners' lands and the prohibition, through Law 15/1963 of foreign landownership of any kind. The second occurred through a sharp reduction in the maximum amount of land individuals and families could legally own. Other measures sought to alleviate the financial plight of smallholders. For example, Law 138/1964 required small farmers to pay only one quarter of the value of the land sold to them in 40 annual interest free instalments (Ziadeh 1978: 269-70). Additionally, this latter phase of land reform targeted land holders who had registered excess land (over 100 feddans) under their relatives or children's names (Roussillon 1998: 345). By 1969, an individual could own only a maximum of 50 feddans, whereas a family could have 100 feddans.

[5] According to Law 178/1952, no person was allowed more than 200 feddans of land (1 feddan = 1.0368 acres).

[6] The total area of land that was owned by the Royal family alone totalled 59,539 feddans (Al-Barawy 1972: 73).

Excess land was taken over by the state for redistribution to landless and small holders.

The second important aspect of the Agrarian Reform regulated the relationship between landlords and tenants. Agricultural workers gained the right to organize and defend themselves through trade unions, and agricultural rents were fixed at seven times the basic land tax. In order to eliminate sub-letting, land was to be let only to a person who tilled it personally. Furthermore, peasants were provided with protection against the arbitrary powers of landlords by making leases span a period of no less than three years and required them to be in written form to avoid unfair takeover of peasant land by the landlords. In the case of share-cropping, the landlord could not take more than 50 per cent of the produce while all expenses had "to be apportioned equally between the sharecropper and the landlord." Law 17/1963 required landlords and tenants to "register their leases at the cooperative of their village for the purpose of ensuring security of the tenancy" (Ziadeh 1978: 270-71). In other words, the lessor shared both in the profit and in the loss as partners, while the lease could terminate on the death of the lessee. The Agrarian program and the rent controls that the Free Officers enacted was so influential in transforming social relation in Egypt leading one scholar of Egypt to call it "the only revolutionary aspect" of the Agrarian Program as seventy five per cent of cultivated land was affected by the rent control laws (Ansari 1986: 79).

The third aspect of the Agrarian Reform was organizing peasants into agricultural cooperatives. The state redistributed land between 2-5 feddans amongst over 300,000 peasants (Fahmy 2002: 202). Thus between 1952 and 1970, thanks to Agrarian Reform, 817,500 feddans of land were sold to about 342,000 landless peasants, which at the time represented about 9 per cent of all rural families (Ibrahim 2003: 115).The redistributed land was to be paid for over thirty years while new land recipients had to join public sector agricultural co-operatives. Through 5000 agricultural cooperatives, the state distributed agricultural inputs such as seeds, fertilizer, pesticides as well as fixed-rate credit. The marketing and transport of crops, especially cotton and sugar, also fell under the state's jurisdiction. After 1961, the regime aimed to achieve a greater balance between agriculture and industry. The state subsidized peasants by paying them higher prices than the level of international markets. Prices were controlled on basic food stuffs in order to help workers. Sadowski (1991: 68-70) argues that whatever the Nasserist regime took out of the rural economy, it put as much back into it.[7] By 1970, there were 3 million members of the cooperatives (Sadowski 1991: 60).[8]

While successful in its early stages, by mid 1960s, the cooperative system began to show signs of weakness as chances of abuse, misuse, corruption and mismanagement increased with the rising membership. The problems that marred the cooperative system ranged from the concentration of power in the board of directors and lack of peasant representation, to the lack of accountability which clearly endangered the viability of the cooperative system (Sadowski 1991; Ansari 1986). Furthermore, many of the cooperatives remained too small to constitute a viable economic unit that could bear the costs of production. In 1969, a remedy was proposed to make the cooperatives function more effectively and transparently by creating links among the cooperatives and increasing peasant participation at the level of board of directors.

In addition to problems associated with the cooperative system, administrative weakness reduced the effectiveness of land redistribution. Out of 734,900 feddans of reclaimed lands, only 273,000 were redistributed by 1966 (Al Barawy 1972: 87). State control of crops was limited to cotton, rice, and wheat, while a whole range of fruits and vegetables were left outside of state control. This provided opportunities for enrichment amongst those farmers who did not join the cooperatives and sought instead to cater to export markets. As a result, the amount of land dedicated to the production of fruits and vegetables more than doubled in size from 94,000 feddans in 1952 to 225,000 feddans in 1968 (Al Barawy 1972: 113).

Housing Policy

Under the Free Officers' the adoption of a national housing policy was at the centre of state policy for economic development and a re-organization of Egyptian society. To

[7] For a similar assessment, see: Said and Ahmed (1972: 77). The only source of state revenue was cotton and rice.
[8] By 1967, there were 4,865 Agricultural Cooperative Societies, with a membership of 2,724,677 and a total capital of LE 2,775,776 (Al Barawy 1972: 124).

carry out economic development in a balanced way through the integration of rural and urban sectors required envisioning a housing policy that would accommodate the migrants and rural workers in the major urban centres.

In 1952, Egypt had a total urban population of 5 million. Two million lived in Cairo and over 1 million lived in Alexandria; the majority lived in dilapidated housing. Prior to the revolution, the only publicly subsidized housing was the Workers' Housing Project in Imbabah, which consisted of 1,100 dwelling units (Abu Lughod 1971). The result had been over-crowding in existing residential areas where one room residences were occupied by four to ten family members. For most families, affordability was a major concern as their incomes barely covered the cost of basic necessities of life. Given the predominance of dilapidated housing and a lack of housing stock due to the absence of any housing policy prior to 1952, the Nasserist regime inherited a significant housing problem in which demand significantly outstripped supply. Throughout the 1950s and 1960s, moreover, the demand for housing rose significantly, reaching near crisis proportions.[9] In order to resolve the growing housing crisis, the regime formulated a comprehensive housing policy that revolved around state provision of public housing and comprehensive rent control policies.

In 1954 the regime established the Public Housing and Construction Company (PHCC) to construct housing units for low-income earners. This represented a modest state-led response to the problem that was reflective of the mild nationalism characteristic of the first phase of the revolution. As such, part of the work was contracted out to smaller private companies. The PHCC produced three housing types: subsidized units for low-income families, workers' units and condominiums for the professional classes sold for profit. The government launched the construction of low-cost high rises on the outskirts of Cairo. These projects were financed by the Development and Housing Company, a public sector company. As a result, in every city in the country, local governments erected blocks of flats according to a standard

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[9] First, a wave of migration from rural areas to cities dramatically increased during the post-WIII period. This was partly a result of the urban employment created as a result of import substitution industrialization. Second, the War of 1967 created a demand for housing for the displaced population of the Sinai cities.

design of four stories with two flats on each level. These flats were leased to low-income groups at a nominal rent of LE2 or LE3 per month (Hanna 1985: 197).

In 1956, a comprehensive policy paper commissioned by the government, called 'A Master Plan of Cairo', was published and marked a watershed in the regime's approach to the housing problem.[10] The Plan which was taken up as policy when the regime took a turn to the left in 1958, was part of the regime's industrial policy and emphasized a comprehensive approach to the provision of public housing for workers (Abu Lughod 1971: 230-31). Before 1956, workers' housing was limited and reflected the small scale of Egyptian industry. Workers' housing was mainly located near the Iron and Steel Mill Company in Helwan and Abo Zaabal in the north of Cairo for railway workers, Kafer El Dwar, and El Mahalla El Koubra for textile workers as well as in Aswan, Suez and Alexandria. The small size and the absence of an organized demand for workers' housing were the determining factors of the lack of supply of workers' housing prior to the revolution. As Abu Lughod (1971: 162) writes, "According to a survey of 1957, 55 per cent of the industrial labour force of Cairo was employed by the 87.5 per cent of all firms consisting of four or less persons! One and two-person businesses accounted for two-thirds of all industrial firms and employed almost one third of the industrial labour force of the city. The average size of a firm was only 3.6 workers." In accordance with the Plan six satellite industrial cities – containing public housing for workers – were proposed for construction around Cairo, as a part of the regime's macro-economic policy of ISI.[11] As the nationalization of foreign private firms accelerated in 1961, the need for workers' housing became increasingly important.

The Plan also emphasized the need for east-west housing expansion into the desert. The Free Officers' housing policy took this into consideration and launched a major housing project in Tellal Zeinhoum and Ain El Sira in 1957 and 1958. In 1959 Nasser announced the construction of a new town near Heliopolis, to be carried out by the Nasr City Organization. By 1966 there were three similar companies: Nasr City, Heliopolis, and Maadi. Nasr City was to house civil servants and become the centre

[10] As part of the government's infrastructural development plan, 5.5 million square meters of Cairo's street system were paved between 1952 and 1958 (Abu Lughod 1971: 142, 160).
[11] Of the six cities, only one – Helwan – was built.

of government activity. Nonetheless, housing development continued to concentrate in the Delta region corresponding to the parallel growth of industry in this part of the country. Thus housing projects began in Shubra El Khaima. Low-income housing was constructed on the periphery of the cities while middle and upper income housing was allowed to be built in the centre of towns as was the case with Nasr City and Heliopolis.

Other attempts to respond to housing needs included planned housing cooperatives. The Cooperative Housing projects were joint public-private schemes, although the final say remained with the government. To realize these projects, the state handed out large land plots of land at nominal prices to cooperatives. Finance was obtained through down payments from members in addition to loans from the public sector. Mainly well-to-do segments of the population such as engineers, lawyers, journalists, doctors and army officers benefited from participation in housing cooperatives. In fact, El-Muhandiseen City is evidence of the power of engineers' syndicate which built the City for its members and now is one of the upper class quarters of Cairo. One outcome of the cooperatives was the movement of middle income professionals from Cairo to the spacious outskirts of the governorate.

State provision of public housing increased after 1958 and on through the First Five Year Plan (1960-65) (See Table 5.1 below).[12] Between 1958 and 1960, an average of 56,000 dwelling units were built annually, making it a very active period in housing production (Hanna 1985: 192). Over the course of the First Five Year Plan (1960-65), three types of housing were produced by the state: low-income urban housing (45,000 units), middle income urban housing (22,600 units) and rural housing (500 units). The goal was to rehabilitate and develop shanty towns of Cairo and respond to the pressing housing need of workers. The availability of state lands allowed the regime of Nasser to engage in real estate development and provision of public housing for workers and the poor.

Table 5.1 Countrywide Allocation of Housing 1960-65, First Five Year Plan

[12] The period between 1965 and 1970 saw an increasing reliance on private sector construction of housing units, which reflected the crisis phase of the revolution. Between 1965 and 1970, 56,000 housing units were provided by the public sector, whereas 110,000 units were provided by the private sector (Feiler 1992: 301).

Type of Housing	No. of dwelling units	Annual rate of dwelling units	The cost of Housing
Low-income urban housing	45,000	9,000	Est. LE 1,582,000
Middle Income urban housing	22600	4500	Est. LE 1,800,000
Rural Housing	500	100	Est. LE 100,000

Source: Soliman (2004: 75).

Rural housing was not in as short a supply as was the case with urban housing. A constant flow of rural to urban migration alleviated many of the problems of rural housing and ensured that the regime was more focused on the urban problem. Bayad (1979) and Hanna (1985) note that rural housing problems were resolved not by the state but by rural residents who relied on local materials and personal savings. The building code was restricted to urban areas and rural areas were left to rely on unwritten laws of tradition and no building permits were required outside of the city limits. Only 500 units were built in rural areas during 1960-65 by the government as part of its public housing schemes.

Given the focus on industry in the 1960s, rural Egypt continued to experience low wages, a reality that shaped the nature of its housing. Peasants continued to rely on silt and palm leaves for building their houses. Bayad (1979) identifies four systems of housing in rural areas depending on the income level of the inhabitants: approved houses where village mayors lived; traditional houses for peasants with five feddans, or landless peasants whose family members worked as seasonal labourers; labour housing built by big landlords for wage labourers; and public housing. Housing was also built in the newly reclaimed areas provided by the state – often distributed to landless families – but their supply was very limited.[13]

Land for buildings was provided through subdivisions of agricultural land. Concentration within houses was common while vertical extensions were made impossible due to low quality of local building materials. Most of the houses were built on a self-help basis, and the structure, size and the materials of the houses reflected the income levels of the families. In terms of services and infrastructure,

[13] In some cases, housing was built on land confiscated from landlords as a result of the land reform program.

roads in rural areas were unpaved except the ones that connected to urban centres or those that passed through a number of villages. Water was supplied to the main villages and a few hamlets. Similarly, electricity was rare in rural Egypt until the 1960s while sewerage system was left to the villagers to devise and look after.

Various forms of rent control comprised the other main pillar of the Free Officers' housing policy. As with the provision of public housing, the regime's initial approach to the rental market was relatively modest. In conjunction with the reforms to rural tenancies implemented through the agrarian land reform program, legislation was passed that sought to transform the nature of urban tenancies. The first set of reforms introduced a series of rent reductions between 1952 and 1961 (see Appendix B). This was followed by a more assertive position implemented through a rent control law passed in 1962. Law 46/1962 resulted in the formation of public sector committees that determined rents based on construction and land costs. During the remainder of the 1960s, the government continued its policy of rent reduction and rent control as a measure of making housing affordable for workers and civil servants. In 1965, rents were reduced 20-35 per cent depending on the age of the building. Law 7/1965 offered rent reductions to all urban dwellers except those living in houses built and let prior to January 1, 1944. By 1965, the Cairo governorate had constructed 15,000 low income housing units which were rented at a symbolic payment (Soliman 2004: 48-49; Bayad 1979: 140). By 1968 rents reached a symbolic payment, for example, LE 1 per room in low income housing, and LE 2 in medium cost housing. All private housing became subject to rent control under the Nasserist regime. In essence, rent control was framed as a socio-economic right to secure residency for lower-income Egyptians. As a result of these laws, they obtained the right to transfer their contracts to their children with fixed rents. In this sense, Hanna (1985) and Hill (1998) characterize Nasserist rent control laws as a new form of a property right for workers and peasants.

Most of the literature on housing places the blame for the lack of private sector investment in housing on the redistributive policies of the Nasserist period. In reality, public sector construction work went hand in hand with small private contractors, although the final product was considered a public sector project. The private sector continued to play an active, albeit informal, role in the housing sector until the socialist phase beginning in the early 1960s. Prior to the 1970s, the private housing sector consisted of a few individual landlords, owner-occupiers and small development companies or small contractors. Infrastructure remained the sole responsibility of the government. Low and medium cost housing in general was financed by personal and family savings, as well as through loans from government institutions like the General Organization for Housing Cooperatives and the Bank of Housing. The private sector was involved in the housing sector in very complex ways providing either direct services in housing or taking on the role of subcontractor for public sector projects.

Private real estate remained unaffected by the nationalization measures of 1956. Given that the state did not regulate real estate in the first years of the revolution, the rich tended to pour their investments into housing and urban property with the hope of realizing profits which they could not get from the other sectors of the economy under the Free Officers. This provided incentives for owners of urban and rural land to invest their savings in land. As the economic crisis hit in the late 1960s, the regime scaled back public investment in housing and increasingly turned to the private sector to fill the gap. However, private capital invested not in low-income housing but in furnished apartments (*shaqaa mafroosha*) for tourists and foreign nationals. Furnished apartments were exempt from rent controls, and could therefore bring in a profitable return to landlords. By the late 1960s, furnished flats for sale became dominant in the country a trend that shaped the pattern of housing development in the next decade.

Two challenges complicated the regime's ability to resolve the housing problem. First, despite efforts by the regime, construction and building codes were either non-existent or remained underdeveloped. For instance, as late as 1965, Cairo "had only a building code and a law governing land subdivision. There was no housing code nor was there a general zoning ordinance, although in a few isolated quarters of the city, land use and architectural controls govern[ed] development" (Abu Lughod 1971: 229). Second, as with the Agrarian Reform program, the lack of state administrative capacity limited the government's ability to effectively implement and enforce its housing policy. Ministries acted independent of the central government policy and instead developed closer ties between various economic interests in society. The Ministry of Tourism and Industry, for instance, engaged in private business deals with the economic sectors that had remained outside of government regulation.

Between 1965 and 1970, the government came under increasing fiscal pressures that were intensified by the costs of war. As in other sectors of the economy, levels of public investment in housing dropped and the regime encouraged privately financed housing schemes, repairing and renovating existing urban housing while continuing its program of cooperative housing subsidies. Between 1952 and 1970 public investment in housing declined from 32.5 per cent to 10.2 per cent (Bayad 1979: 247). This decline in levels of investment was indicated in the number of housing units constructed by the public sector. In the 1950s, the state produced 56,000 housing units while during the First Five Year Plan the number declined to 30,000. Between 1965 and 1970, less than a third of the numbers of the previous decade were produced (Harik 1998: 164). Another estimate indicates that the First Five Year Plan produced 38 housing units per thousand people while only 32 units per thousand people were produced between 1965 and 1970 (Soliman 2004: 75-76). Given the budget constraints, the government responded to housing needs by lowering standards for housing construction. After the 1967 War, displaced residents migrated to the Nile Valley where a housing shortage already existed. In order to respond to the needs of the displaced for housing, the Ministry of Housing and Public Utilities launched the Nasser Project for Urgent Housing, most of which was built at low cost and with low quality materials. It was not too long before these units began to collapse.

Towards the end of the 1960s, private construction firms and societies began to gain a strong foothold in the housing market. This move was facilitated by the decentralization of authority in the housing sector away from the central government and towards the local governorates during the 1960s. Many cooperative associations shifted their activities during this phase to large-scale developments and high-end housing. Rent-controlled buildings suffered from neglect and lack of maintenance by landlords.

As public housing remained limited in scope, housing demand was met through the informal housing market. As a number of studies (Soliman 1988; Feiler

1992; Bayad 1979; Hanna 1985; Ibrahim 2003) have pointed out, public provision of housing fell far short of meeting the needs of a rising population. In the course of the 1960s, population increased by six millions while housing production per one thousand of the population remained at 8.6 units (1960-65) and 9.2 units (1965-70) (Feiler 1992: 301). By 1960, 3.5 million persons lived in the same amount of space where 2 million had lived in 1947 (Abu Lughod 1971: 177). This density in housing only got worse as the decade of the 1960s proceeded. According to Abu Lughod (1971: 230):

> In a 1965 appraisal of the housing problem in Cairo it was estimated that by the target date of 1970, some 40,000 new dwelling units would be required to take care of the population increase alone; another 30,000 dwelling units were required to reduce the existing levels of occupancy density; furthermore, another 70,000 dwelling units were needed to replace deteriorated or to be demolished units.

With the public sector's inability to meet the projected housing demand, by the end of 1960s the first informal areas began to appear as rural-urban migration rates increased (Soliman 2004: 48-49).The informal sector continued to provide the bulk of housing reaching at 70,000 dwellings per year (Bayad 1979: 232).

In a sense, informal housing was the predominant response to housing needs of newly migrated workers from rural areas. State factories had difficulty raising the capital necessary for the production of housing for their workers; as a result, workers resorted to living in squatter settlements. Left without any public support for housing, these workers began buying lots on agricultural land for housing through informal means. The expansion of informal housing led to an increase in the price of agricultural land on the periphery of urban centres as migrant workers continued to arrive in Cairo and other cities. In the course of the 1960s, the price of agricultural land for the purpose of housing development reached anywhere between LE4,000 to LE12,000 per feddan whereas agricultural land that was not in prime location for housing development was priced at LE1,000-2,000 per feddan (Bayad 1979: 179). In urban centres informal housing growth placed undue pressure on public services, sewage system and transportation.

The Contradictions of Nasserism

Nasser's formulation of progressive property rights was conceived in the broader framework of Arab Socialism which emphasized an end to exploitation, economic justice, and equal opportunities for all through a democratic dialogue among social forces – peasants, workers, soldiers, intellectuals and national capital. The rights enshrined in the constitution of 1956 included social and economic rights and made the state responsible for upholding such rights. Other rights included civil rights and personal freedom as well as freedom from exploitation. Economic activity was to be organized such that it benefited the general population and not the elite at the expense of the majority, and the natural resources of the country became the property of the state.

These rights were strengthened and expanded in *Al Mithaq al-Watany* (the National Charter of May 1962), which had the goal of 'socialist transformation' in Egypt. Through the Charter, workers and peasants had their rights recognized by the state and had representation in all areas of government. They could occupy 50 per cent of the seats of the National Assembly and were guaranteed representation in village councils. Other concrete rights for workers included profit-sharing and participation in management decision-making. Workers were to receive 25 per cent of the annual total profits through different schemes including cash hand-outs, housing and social benefits. Nasser was also aware about the growing and unaccountable power of the bureaucracy and therefore warned about the emergence of a 'feudal bureaucracy' (Said and Ahmed 1972).

Nasser and the Free Officers understood the challenges of introducing a radical transformation of social property relations. Rural Egypt was still in the grip of big landlords whose power had not been completely undermined by the land reforms of 1952. In the absence of a political force behind him, Nasser was forced to make compromises. He laid out his ideas of socialism in Egypt illustrated in the following excerpt:

> I have often said that our socialism is appropriate to our own circumstances. We do not copy the world's other social experiments; we study them without prejudice or chauvinism. But there are some basic differences between our socialism and Marxist-Leninist socialism...We, on the contrary, do not believe that dictatorship should pass form one class to another. This will breed civil war. We are converting a state of reactionary 'bourgeois' dictatorship into one of the democracy of the whole people. Marxist-Leninism advocates the violent eradication of the exploiting class. We, on the other hand, solve our problems without bloodshed. We give to this class, or rather to its members as individuals, the opportunity of a decent and honourable life. Marxism-Leninism does not believe in private ownership. We distinguish between exploiting and non-exploiting private ownership. We are opposed only to the former but encourage the latter. Finally, Marxist Leninism stipulates the nationalization of agricultural land. Our socialism does not. Rather, it believes in private ownership of agricultural land within the framework of a co-operative system.'...In this respect it is nearer to the Fabianism of 'democratic socialism' than to the Marxist-Leninist concept of violent revolution. Other similarities of approach between Western Fabianism and Arab Socialism in Egypt are their common belief in gradualism and the avoidance of violent clash between classes; and their view of the state as a social machine to be captured and used for the promotion of social welfare and social services, as the servant of the people rather than an instrument of domination (Nasser cited in Said and Ahmed 1972: 76-77).

Nasser distinguished Arab Socialism from Marxist-Leninism by emphasizing a non-violent transition to post-revolutionary Egypt. Arab Socialism assigned to the ruling class a role in industrialization, the maintenance of some form of 'progressive' private property, the organization of agriculture through cooperatives rather than through wholesale nationalization, and in limiting the role of the state to that of a provider of social welfare. Although private ownership was not eliminated altogether, it was assigned a subordinate role to the public sector. This was due to Nasser's belief that the state could serve as "the community's servant" and entrusted with protecting its interests without any bias in favour of or against any class or group. In other words, the state could belong to the "whole people and not any class" (Said and Ahmed 1972: 69). Upholding the principles of Arab Socialism entailed creating a "socialist, cooperative and democratic society" through the ASU, which had established a social base in rural and urban areas (The National Charter of 1962).

A number of scholars have argued that the revolution of 1952 marked the beginning of 'statism' or 'étatism' in Egypt' (Vitalis 1995; Cooper 1982; Wahba 1994). Mourad Wahba (1994: 16) defines 'étatism' as a predominant role for the state in the economy. Statism, however, is a notoriously ambiguous concept. As a political project that prescribes a series of policies – as opposed to a theoretical concept describing the autonomy of the state – it lacks a precise definition and tends to incorporate competing, and often contradictory, political claims and ideologies, such as nationalism and socialism. The French notion of *dirigisme*, in which the state "compensated for the relatively weak role played by private entrepreneurs by developing a powerful capacity to intervene in the economy", is instructive in this case (Kesselman, et al., 1992: 153). The difference in the Egyptian case, of course, is that the Nasserist regime was unable to build up the kind of administrative capacity necessary to successfully implement a statist project over the longer term. Up to a point, both nationalists attempting to build 'state capitalism' and socialists attempting a transition towards socialism can collaborate on such a statist project. Statism, therefore, is fundamentally a contested phenomenon in which different social forces seek to use the state to implement different development projects. This was also true in the Egyptian case of Nasserism, where nationalists and socialists could collaborate on a project of anti-imperialism and import substitution industrialization. However, when it came to policies regarding broader issues of class politics and the redistribution of wealth, the contradictory tendencies within statism tended to become more prominent. Ultimately, any assessment of the nature of statism needs to take into account the class basis of the social forces driving forward and benefiting from statist policies and institutional arrangements.[14] This also was the case with Egypt.

[14] Vitalis (1995: 195) argues that the revolution of 1952 curtailed the power of the "local business oligarchy and its privileged position within the political economy."

The contested nature of statism is reflected in the lack of ideological unity characteristic of the Free Officers. One group believed that the technocratic and bureaucratic elite with the help of science and technology had the answer to Egypt's economic development; Socialism was seen as a practical solution to the problem of science and technology. A second group wanted the public sector to undertake the development of state capitalism through encouraging the private sector in the process of economic development. A third group believed in scientific socialism; although a small group, they believed in including the masses in the process of economic development. Associated with the traditional ruling classes, the fourth group supported the development of the private sector and wanted to distance Egypt from the East Bloc. As the revolution unfolded, it was impossible for them to reach an agreement on a grand strategy for economic development and the means to carry out such a program.[15] A series of recurring struggles among the Free Officers – exacerbated after defeat by Israel in 1967 – led to the lack of a coherent policy and development strategy under Nasser. These divisions and conflicts within the Egyptian state added to the challenges that Nasser had to overcome.

The main architect of statism under Nasser was Aziz Sidqi who was assigned the Ministry of Industry. Under Sidqi, the state came to control various sectors of the economy ranging from "fertilizers, construction, heavy industry and petroleum to the private press." The railways had "never been privatized and were the real core of Egypt's contemporary state-owned enterprise sector" (Vitalis 1995: 207). While Wahba (1994) and others (Ibrahim 2003; Zaalouk 1989; Issawi 1963) argue that Nasser's economic policies were an extension of previous policies, Vitalis (1995: 207-08) claims otherwise, arguing that, under Nasser and the Free Officers' rule, the state took on a very different role rather than simply continuing the policies of the previous regimes. Similarly, Waterbury (1983: 233) pointed out that for the first time in Egypt's history, it was through Nasser's industrialization policy that the state

[15] Sadowski captured the irreconcilable characteristics and ideologies of the Free Officers when he wrote that, "[the Free Officers] were an unusually diverse and cacophonous group, which included Marxists and Muslim fundamentalists, partisans of existing civilian parties and advocates of military rule, socialists and free traders, admirers of the West and violent anti-imperialists. Beyond their operational plan for the coup itself, the only thing they had found time to agree on was the need to free Egypt from the deadening monarchy of Farouq and the landowning elite that supported him" (Sadowski 1991: 55; Cf. Johnson 1973: 3).

"extended its regulatory and proprietary grip to vast areas of the economy."[16] For over seventy years, private investors – Egyptian and foreign – had benefited from access to the state and public resources. The shift towards public sector control of resources and enterprises disadvantaged the private sector. Private investors were actively forced out of the economy by the Free Officers' regime between 1954 and 1956. The regime dismantled monopolies and, in 1955, amended the Company Law limiting "the number of firms for which individuals could serve as directors (six) or managing directors (two); at the same time it forced company directors to retire after reaching the age of sixty. The Decrees affected some 200 businessmen from families who had steered the economy for over two generations" (Vitalis 1995: 209).

One of the aspects of the revolution that distinguished the socialists from the nationalists was a commitment to egalitarianism. This goal was promoted through the provision of public goods and services, and a number of other policies designed to redistribute the wealth of society. Such measures included: free education; health care; affordable housing, by way of rent controls and public housing projects; mass employment in the public sector; price and wage controls, and consumer goods subsidies. As mentioned above, workers benefited from a higher minimum wage, fewer work hours per week, paid holidays, compulsory social insurance, protection from illegal dismissal and ability to participate on the board of companies.

The Agrarian Land Reform had a major impact on Egyptian society as more than 50 per cent of the population was engaged in the sector during Nasser's time. Rural inequality was radically changed as land ceilings reduced the number of large estates and land was redistributed to peasants and small farmers. As Bush (2002: 10) notes, the biggest impact of tenancy laws was on the largest and smallest landholders, with the latter securing rights to property: "Those with less than five feddans increased by 13 per cent and the land they owned increased by 74 per cent. The

[16] Waterbury, in his discussion of the nature of state and class in Egypt under Nasser, pointed out that "at no time in the modern history of Egypt has a capitalist class captured the state. Rather it has been the quasi-autonomous state and its manipulators – the Muhammad Ali dynasty, the British, or the military – that have broken up, reassembled, or created out of whole cloth existing and new class interests...In Egypt...in contrast to the experience of the capitalist West, no group has obtained an enduring grip on political power or on economic resources" (1983: 232-33). To Waterbury (1983: 260), Nasser's industrialization project, much less than a class project, reflected the desire of "a few among the top leadership" to change society through public policy supported by industrialization.

biggest estates of more than 200 feddans disappeared." The reform of agricultural credit cooperatives also played an important role in restoring the rights of peasants to land and thus livelihoods and secure dwellings. For the first time in Egypt's history, almost a million feddans of agricultural land was released for redistribution to the peasantry (Zaalouk 1989: 26). In short, Nasser's period was a unique period in Egyptian history in the sense that the rights of peasants and workers were not only recognized, but enshrined in the constitution. Despite opposition from conservative forces, Nasser and the Free Officers took big strides in changing the socio-economic and political landscape of Egypt.

The revolution was, nonetheless, riven with problems and contradictions. One of the biggest obstacles to the revolutionary transformation of Egyptian society was the lack of state capacity to implement the necessary reforms. The state's reach was limited to the main urban centres. The state's control over cotton exporting companies, fertilizer and pesticide factories, and the gins and mills only gave it the power of taxation over certain economic activities. Regulating the agricultural sector, however, still remained out of reach. Sadowski (1991: 66-67) highlights this discrepancy between what the state willed and what it actually accomplished: "The effects of state policy were thus often quite different from their intended objectives. Nasser understood this problem well. As he once said, 'You imagine that we simply give orders and the country is run accordingly. You are greatly mistaken.'" This weakness of the state was apparent in the way public sector contracts were handed out to the private sector. Similarly, a lack of accountability in the public sector allowed room for collaboration between public sector managers and the private sector. This resulted not only in a brain-drain, but also in illegal resource transfers from the public to the private sector and in the black market. Even in cities, various levels of government maintained their autonomy. As a result, policies designed in Cairo were often never implemented outside of the major urban areas.

As a consequence of this lack of state capacity, the power of the big landlords persisted despite the fact that most revolutionary reforms were aimed at attacking their institutional and informal power. Landlords did not completely lose their power. Those who had their lands confiscated were given compensation in one form or another. They were also allowed to retain their deeds to the land, thereby enabling them to easily reclaim their lands in the 1970s under Sadat. Other landlords were allowed to sell their land, enabling – as will be seen below – medium farmers to accumulate their land.[17] Reforms that were implemented between 1952 and 1969 did not affect the inheritance of landed property. The only individual landlords who were not given compensation for their confiscated property were those who belonged to the Royal family, under the pretence that they were collaborators with British imperialism.

The persistence of landlord power subsequently exacerbated the state's administrative weakness, as landlords were able to co-opt local government authorities by bringing them into their circles of patronage. Thus, abuses of land reform were neither reported to the government and nor confronted at the village level. The weakness of state power to enforce policy at the village level was captured in the following example. In 1966, the village of Kamshish became the focal point of land reform violations when it was revealed that a landlord not only held hundreds of feddans, but had ordered the murder of an activist (Husain) who had tried to investigate Al-Fiqqi family's wealth and their circumvention of agrarian reforms. It was after this affair was captured by Cairo newspapers and magazines that the regime put together the Higher Committee for the Liquidation of Feudalism (HCLF). To the dismay of the regime, "The HCLF quickly determined that these violations were not confined to Kamshish but were common across Egypt. Ali Sabri, one of the officers on the committee, estimated that 'on average, each province had twenty to thirty families whose members either evaded the agrarian reforms, controlled the village administration and party organs, or exercised oppressive influence'" (Sadowski 1991: 78-79).[18]

The weakness of the regime's administrative capacity and its lack of control over rural Egypt – particularly in Lower Egypt – coupled with the lingering power of the landlords provided the perfect environment for medium landowners to prosper. An unintended effect of the land reform policy was the emergence of a class of

[17] Some landlords found new outlets in the construction and real estate sectors.
[18] By July 26, 1967, barely a month after the defeat in the war with Israel, Nasser's regime was forced to issue a de-sequestration law that returned properties that were sequestered by the HCLF. This meant that cases under HCLF investigation for sequestration declined from 334 to 25 and the amount of land for sequestration declined from 55,000 feddans to 3,100 feddans (Ansari 1986: 143).

medium size farmers who owned between 20-50 feddans of land. By 1965, four years after Nasser's radical shift in economic policy and a new round of land confiscations, close to one-third of Egypt's cultivable land was controlled by 5.2 per cent of landowners (Ayubi 1991: 200). Close to 70,000 farmers owning more than 10 feddans emerged as counter-part elite to the old landed elite in rural Egypt (Sadowski 1991: 75). This group played an important part in controlling the rural economy and politics and thus shaped the outcome of state policies in most parts of Egypt.[19]

A number of factors facilitated the rise of medium size farmers. Medium farmers maintained their independence in crop production by remaining outside of the state cooperatives. They were free to shift their crop patterns to growing high value crops, vegetables and citrus fruits as well as raising livestock. Although they remained outside the agricultural cooperatives, these rich farmers benefited greatly indirectly from the public resources made available to the cooperatives through collaboration with corrupt local public officials. For instance, "10-20 per cent of the total value of fertilizer distributed through the cooperatives would end up being sold on the black market at mark-ups of 150 per cent (in Lower Egypt) to 300 per cent (Upper Egypt) over the subsidized price" (Sadowski 1991: 75). As a result, rich farmers increased the margin of their profits through their exploitation of the cooperative system (*jam'iyyat ta'awuniyya*) as well as through methods of diversification and mechanization of agriculture. This newly emerging class, while benefitting from the revolution, had no loyalty to its goals, and would become an important base of conservative support for Sadat during the 1970s (Ansari 1986).

These internal challenges and contradictions were exacerbated by economic crises. In the context of prolonged investment strikes by Egyptian capital, and the high cost of war in Yemen and Israel, economic growth failed to sustain the high levels of public spending that the progressive social policies of the revolution

[19] Pointing out the entrenchment of the power of landed elite in rural Egypt, Sadowski wrote: "Their members controlled 71 per cent of the seats on provincial councils and 55 per cent of district offices. They supplied the bulk of the 'umad, the village mayors. As Nasser built his new order in the countryside, they learned to dominate the cooperative councils as well...Although the government determined how much water flowed through the irrigation canals into each province, the agrarian elite decided how much was actually directed to each village and farm. Perhaps most important, this elite softened-and sometimes frustrated-the application of the land reform" (1991: 78).

demanded.[20] Lack of economic growth, combined with a trade deficit resulting from ISI, and the withdrawal of U. S. aid forced Egypt to turn to the conservative Gulf States for credit. Borrowing conditions set by the Gulf States included the removal of state controls over investors and guarantees against nationalization. After 1967, Nasser announced that he was ready to "denationalize certain enterprises and expand the opportunities for the private sector...He authorized de-sequestration of some lands and enterprises (movie theatres, department stores), thus re-legitimizing private economic activity" (Sadowski 1991: 103). The defeat by Israel accelerated the crisis of the regime, as it emboldened conservative and Islamic forces in Egyptian society. At the same time, the regime began to lose the support of workers and peasants due to the corruption of state officials and the persistence of the power of the landed classes. Over time, these landed interests struck alliances with the right of centre elements among the Free Officers and thus began influencing state policy in their favour. The loss of support amongst workers and peasants was especially dramatic because the regime had effectively destroyed all independent progressive organisations that could help democratize the state and society. Paradoxically, Nasser was more successful in crushing the left and the communists than he was in uprooting the conservative landed classes in rural Egypt.[21] As Johnson (1973: 3-4) argues: "Because the right-wing was never effectively neutralized, the pull in Egyptian politics was always towards the right...Nasser as an individual stood against the rightward pull – but he always stood as an individual and never as the representative of an organized left-wing with real political power." Thus, despite the commitment to democratization, the regime never successfully nurtured a democratic movement that would act as its political base, and the balance of class forces began to shift away from Nasserism towards the conservatism of the Sadat regime.

[20] The shortage of foreign exchange and insufficiency of domestic resources led to an imbalance in the economy while Nasser refused to sacrifice Egyptians by squeezing surplus out of them (Wahba 1994; Richards and Waterbury 1990).

[21] Nasser's decision to hang the leaders of Kafr al-Dawwar textile factory for demanding salary raises in 1952 left a dark spot in the memory of factory workers. In 1964, however, Nasser realized he did not have much support among the conservative forces that were gaining strength. In order to counter this, he released all communists from prison and invited them to help him with his program of Arab Socialism.

Conclusion

This chapter examined the revolutionary period under Nasser and assessed the subsequent social transformations that were realized as part of the Arab Socialist project. This period represented a unique period in the history of modern Egypt where the propertied classes for the first time faced a serious challenge from those who controlled the state. This period was also unprecedented in terms of state's relation to workers and peasants as workers and peasants' interests formed the core of state's policies. As a detailed analysis of statist policies demonstrated, the deep seated power of the landed classes remained entrenched even though they had lost their political power over the state. While some may argue that Nasserist regime was not decisive enough to push for more radical reforms, others remain convinced that top-down changes without a popular social base can only be temporary. As we turn to the next chapter, we will return to a discussion of how the landed classes secure their lost power, slowly but decisively in the coming decades.

Chapter 6. Liberalization under Anwar Sadat

Anwar Sadat, who has been often described as "more rightist than most" of the Free Officers, became the President of Egypt in October 1970 and remained in power until his death in October 1981 (Cooper 1982: 66).[1] His rule marked a significant shift away from the statism of Nasser as he opened the door for a larger role for the private sector in the economy. The *infitah,* or 'liberalization' of the Egyptian economy, was a response both to the economic crisis of the late 1960s as well as to the regional shift towards a free market. In an attempt to revive the Egyptian economy, Sadat passed laws that encouraged foreign investors to take a bigger role in the economy.

Sadat's housing policy reflected the general direction of his economic policy. Part of Sadat's plan was to reduce the role of rent control in the housing market by promoting home ownership. Another aspect of his housing policy was to reduce over-crowding in Egypt's two major urban centres, Alexandria and Cairo. To achieve both of these goals, he encouraged the private sector to build cities in the desert and launch economic projects that would attract labour to the new cities. The overall outcome of the Sadat regime's housing policy was a proliferation of luxury housing, a reduction in affordable housing, a radical rise in the price of urban land and an expansion of informal housing as an alternative by the poor. In this chapter, I examine the economic policies of Sadat and discuss the changes in property relations as a result of changes in the direction of the economy. Finally, I examine the housing policy in this period.

The Economic Policy of Infitah

[1] Sadat cut ties with the Soviet Union and established closer ties with the U.S. In an attempt to express his support of the U.S and secure its financial help, as early as in 1971, Sadat began purging pro-Soviet members of the state and expelled Soviet military advisers from Egypt. Conservative oil regimes such as Saudi Arabia rewarded Egypt shift of alliance in favour of the West by sending in aid, especially after the War of 1973. As Ansari (1986: 188) notes, "In addition to the military assistance program and other banking facilities, Arab aid amounted to $725 million in 1973, which then increased to $1, 264 million in 1974. This sudden increase was spurred by the general Arab enthusiasm for Sadat's accomplishments during the October War. But this enthusiasm seemed to wane as Arab aid fell to $988 million in 1975 and declined even further to $625 million in 1976."

When Sadat took power, he announced a radical shift in the direction of the economy. While his policies marked a break from Nasserism, his policy of infitah, or 'opening' "was not in fact a strategy, if by 'strategy' is meant a coherent plan of action." Rather, it was "principally an opportunistic tactic intended to facilitate the inflow of Arab funds" (Ikram 2006: 20-21).[2] Nonetheless, changes in the state and economy were significant as these initiated, intended or not, a transformation of Egyptian society that continues to this day. In September 1971, Sadat announced a program for the "re-organization of the state", the essence of which was to rid the state of Nasserist policies and facilitate a larger role for the private sector in the economy (Cooper 1982: 75). A number of important pieces of legislation preceded the inauguration of infitah proper. Law 65/1971 for foreign investment offered a five-year corporate tax grace period, allowed the establishment of free zones and joint ventures between the public and foreign private sectors. However, workers in public sector enterprises opposed Sadat's policies of economic liberalization throughout 1971 and 1972 which resulted in the failure of Law 65 to be implemented.

In response to this opposition, Sadat began consolidating his power by purging state institutions of Nasserist elements and replacing them with more conservative appointees sympathetic to Sadat's economic policies.[3] The October War of 1973 with Israel bolstered Sadat's reputation – which was to re-establish Egypt's regional role as the leader of the Arabs, a role that had been tarnished after the defeat in the 1967 War – and provided the right political environment for him to introduce his policies of infitah. Hoping for a generous flow of Arab investment as a sign of gratitude for the War, Sadat opened up the economy to foreign private investments.[4]

The infitah policy was presented in the October Paper in April of 1974 to the People's Assembly and the main argument was that in order for Egypt to achieve higher growth levels, there was a need to adopt an outward looking approach to

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[2] Also, see: Waterbury (1983).

[3] Within a period of three months, he made 1,237 new political appointments notable among which were 25 new governors, 125 new secretaries and under-secretaries of the ASU in the districts, 625 members of the Popular Local Government, all of which guaranteed support for Sadat and his policies in the coming years (Cooper 1982: 77).

[4] As Waterbury pointed out, Arab investment was offered special privileges and was considered different from foreign investment in general. Arab investors were allowed to participate in real estate development as it was given the right to acquire urban real estate and housing (Waterbury 1983: 132).

economic development.[5] The core of the economic policy was a classic free market argument: foreign investment and technology combined with the cheap resources of Egypt – materials and labour – would result in economic development. With this guiding formula, Sadat implemented policies that aimed to revitalize the private sector and transform the role of the public sector.[6]

In his attempt to attract foreign and Arab investment, Sadat passed Law 43 in June 1974. Law 43 provided guarantees against nationalisation, confiscation and sequestration of capital and property. Under this law, investor guarantees and privileges included profit repatriation, tax exemptions from five to eight years and customs exemption for imports geared towards production. Priority was given to investors who were self-sufficient in foreign exchange, promoted Egyptian exports and imported advanced technology and management techniques. According to Law 43, even if a public sector firm owned the majority share of equity of a joint venture, the project was considered as part of the private sector. In addition, no sector of the economy was protected from foreign private investment as had been the case under Nasser. Economic sectors such as textiles, chemicals, minerals, and basic metals which were reserved for the public sector were now open to foreign investment.

Two years after infitah, foreign and domestic private investment was concentrated in finance, services, tourism and real estate sectors, exposing the speculative nature of investment.[7] By the end of 1976, only sixty-six projects had begun with a capital value of LE 36 million and 3,450 employees (Waterbury 1983: 132). This lacklustre response of foreign investors was interpreted by the government as the result of rigid regulations on private sector activity prompting the government to replace Law 43 with Law 32/1977.[8] Law 32/1977 further reduced restrictions on profit repatriations, removed the requirements for firms' self- sufficiency in foreign

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[5] Impressed by export-led economic growth model of East Asia (South Korea and Taiwan), and encouraged by the IBRD, Egyptian policy makers adopted the export growth model (Waterbury 1983: 133; Wahba 1994: 175).

[6] The policy was supported by the IMF and agreements between the Fund and Egypt were signed in 1974, 1976, 1978 and 1980.

[7] In general, Arab investment concentrated in real estate and tourism while non-Arab investors invested in petroleum, banking and pharmaceuticals. Tourism and services were two other areas beside finance and real estate magnets for foreign investors.

[8] Ansari (1986) mentions other reasons that kept foreign investments from rushing to Egypt in response to investment friendly laws of infitah. These he noted were absence of infrastructures necessary to support an intensive industrialization program, transportation problems, and unskilled labour force.

exchange and "made it possible for foreign investors to purchase foreign exchange with local currency, to sell products locally for foreign exchange, and to purchase hard currency in the 'parallel money market' that had first been set up to help the Egyptian private sector meet its foreign exchange needs" (Waterbury 1983: 133).[9]

As incentives were extended to foreign investors, Egyptian investors demanded similar rights and tax incentives and they secured these rights through Law 86/1974 (which was only made public in June of 1976). By 1975, the private sector had gained the right to import building materials duty free and housing projects were exempted from taxes for a period of five years. In 1978, construction and contracting firms were brought on par with foreign investors in the field of real estate development. Law 32/1977 extended the same benefits to Egyptian investors that foreign investors enjoyed. The only caveat was that unlike foreign investors, domestic investors still did not have guarantees against nationalization.[10]

The new approach altered the role of the public sector in a number of ways by privileging the private sector. While it was still considered as the primary sector and responsible for carrying out the development plan, its main role was to provide essential services to both Egyptian and foreign private investors. Infitah was intended to revitalize the public sector through competition with the private sector and by engaging in public-private partnerships with the foreign capital.[11] In practice this meant that the public sector was deprived of guaranteed public investments and was instead forced to perform in response to market imperatives and generate its own revenues. At the same time, Sadat had reduced democratic oversight in the public sector by dismantling public organizations (*mu'assasat 'amma*) that functioned as public holding companies under Nasser. The mu'assassat were not simply bureaucratic apparatuses; they coordinated, planned and provided oversight for industrial activities. In effect, the state no longer made decisions regarding wages, profit distribution, credit or the organization of the public sector firms. These decisions were handed over to private firms.

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[9] See: Wahba (1994: 190-91).

[10] See: Waterbury (1983) on how USAID and IBRD actively promoted private sector banking in Egypt by 1977.

[11] This direction was encouraged by USAID and the World Bank, who made such partnerships a condition for their aid and loan packages.

Access to foreign aid was conditioned on competitiveness, which led to a high degree of rivalry between government ministries and departments. As such, the private sector gained leverage in shaping the public sector. In this process, private investors' organizations organized themselves into a national association in order to more effectively represent the needs of business within the state. For instance, the Egyptian Businessmen's Association (*Jam'iyyat rijal al-a'mal al-misriyyin*), consisting of ex-ministers and officials, board members of major banks and public sector companies, was one such organization, which represented a wide array of interests including the 'state bourgeoisie', domestic private investors and international investors.[12]

The state bourgeoisie played an important role in linking the public sector to international capital by facilitating investments in consumer fields such as services, tourism, finance, trade and real estate. Another notable outcome of joint ventures with the private sector resulted in a transfer of assets from the public to the private sector. Public sector firms lacking foreign exchange often used their real estate as equity in these projects. Beside physical assets, public sector firms also lost skilled workers to the private sector through joint ventures given the absence of labour regulations and salary caps in the private sector under infitah.

Despite plans for the privatization of public sector firms, infitah did not succeed in privatizing any noticeable firms as there was no demand in the private sector for taking up public sector firms. Investors often opted for joint ventures and state subsidy policies for inputs such as energy and raw materials. While it avoided being privatized, the public sector no longer absorbed the large number of graduates that it had under Nasser. By the late 1970s, public sector enterprises were freed from the scope of Employment Guarantee Program and had greater flexibility in their hiring policy. The one area in which the government hired was the bureaucracy (excluding the public enterprise sector). Ayubi (1995b: 299) observes that:

> In 1975 the Egyptian public sector employed over 868,000 people of whom about 573,000 worked in 170

[12] The term 'state bourgeoisie' refers to the heads of public sector companies who, under Sadat's reforms, were compelled to adopt profit-maximizing strategies in partnership with the private sector. See: Ayubi (1991).

> industrial companies, about 266,000 in 160 service companies, and about 29,000 in agricultural companies... At the beginning of the 1980s...it employed 2,876,000 individuals in the central and local government as well as in the public sector.

This was not merely a process of bureaucratic expansion in the interest of increasing the administrative capacities of the state, but an expansion of the state's coercive apparatus.[13]

Infitah freed up the private sector to engage in finance, heavy industry and foreign trade: areas of the economy that were heavily regulated under Nasser. Thus, by mid to late 1970s, a whole host of joint ventures had begun. The successful ones tended to be large projects that were joint ventures with foreign capital in textiles, food processing, chemicals and metallurgy. By 1977, a total of 693 joint ventures had been approved (Waterbury 1983: 172).

However, not all private sector firms were winning. For instance, around 300 textile and knitwear private sector firms that existed under Nasser and exported to the USSR were losing because of changes in diplomatic and trade relations with the USSR and the flooding of Egyptian market by cheap Asian goods (Waterbury 1983: 172). The winners of infitah policy included three groups. The first group was characterized as 'crony capitalists' or 'compradors' engaged in the 'own-exchange system' which primarily catered to middle class demand for luxury goods.[14] This group was engaged in importing goods and acting as middlemen between foreign firms and the Egyptian government and utilizing their powerful social networks. Waterbury (1983) argues that this particular group of importers – who he refers to as

[13]According to Ayubi (1991: 268), "In only three years from 1977 to 1980/81, employment in the bureaucratic machine increased from 1,911,000 to 2,474,000, i.e. by 29.6 per cent or some 10 per cent per annum." It is important to note that bureaucratic expansion favoured the top levels of bureaucracy including defence, police and justice, in order to enhance the control powers of the central government. As for developmental projects including youth, education, agriculture and irrigation, and research suffered the most both in terms of resources and personnel. The coercive apparatus of the state experienced a 212.6 per cent expansion while insurance experienced 162.1 and commerce 142.1. Education, youth and research remained at 120.8 per cent (Ayubi 1991: 269-70).

[14] The own-exchange system was started in the early 1970s but then it was discontinued in 1973. The system was initiated to facilitate and expedite the import of raw materials for the private sector. However, the system facilitated the import of consumer luxury goods. Nonetheless, Sadat revived the system in March 1974 "in order to satisfy the needs of the masses" (Sadat cited in Wahba 1994: 191). See also: Waterbury (1983: 176-78).

munfatihun – succeeded in consolidating their power thanks to infitah. The second group that benefited from public-private joint ventures consisted of contractors or *muqawalun* who contracted out their services to the state. This group's gains surged as the First Five Year Plan (1976-81) under Sadat was implemented. During this period, 40 per cent of all public investment, amounting to LE 700 million, went into construction projects. Of this, 80 per cent went to private construction firms (Waterbury 1983: 182). The rebuilding of the Canal Zone cities and the New Towns Project of Sadat opened up vast opportunities for contracting-out and sub-contracting to the private sector and the siphoning off of public sector materials into the black market. The individual who personified the construction sector and gained the most under Sadat was Ahmad Osman, the president of the Arab Contractors and Sadat's Minister of Housing and Reconstruction. His company employed 50,000 workers and his operations reached beyond Egypt. Under Nasser, Osman's domestic business was nationalized but he was free in his international operations. Later on under Sadat, Osman served as 'food security' adviser and promoted agri-business joint ventures such as the Pepsi Cola Citrus project in Ismailia (Waterbury 1983: 182-83).

A third group that benefited from infitah included those who took advantage of relaxed urban rental laws and regulations. This group of investors included professionals, state officials as well as private sector investors. Landlords took advantage of relaxed rental regulations and collected huge amounts in 'key money' (*khiliw rigl*) and rent from their furnished apartments.[15] At the other end of the spectrum were property developers who by-passed building regulations and codes and became wealthy overnight.

To make Egypt attractive for foreign investors, the regime also dismantled the Socialist labour laws that protected workers' wages and benefits. According to the October Paper of 1974, wages were to be determined according to the free market. In defense of his labour policy, Sadat argued that regulations limited the level of skills of workers and that competition would unleash high levels of productivity. The regime

[15] Hanna defines key money as "an illegal sum of money outside the rental contract paid to the landlord" and which is considered as the difference between market rents and controlled rents. Although it appeared in the 1940s, this practice was criminalized under Nasser keeping the sums for key money quite low. However in the 1970s key money became quite common and its levels increased dramatically reaching LE 100,000 to LE 300,000 for downtown area shops and business space of forty to eighty square meters (1985: 207-08).

believed that if workers had greater freedom of movement, they would contribute their remittances to the larger economy. To this end, Sadat's regime eliminated exit visas in 1974 allowing workers to migrate to oil rich Arab countries. Indeed, increased remittances in the course of the 1970s played an important role in paying off the public external debt while increasing the level of public consumption of imports.

While the regime managed to encourage outward migration of labour to the Arab oil States, infitah policies failed to absorb the remaining unemployed inside Egypt.[16] A rise in unemployment was linked to a shift towards labour saving technology in various sectors of the economy. By the end of 1978, there were only 13,553 workers in 191 functioning projects. Even these numbers are suspect due to the "reclassification of public sector partners to joint ventures in the private sector" (Waterbury 1983: 143). Highlighting the failure of infitah to create employment, Ikram (2006: 215, 217) characterizes the decade of 1975-85 as the 'jobless growth' decade whereby high productivity levels in both the public and private sectors were linked to greater mechanization and a rising capital-labour ratio of 10 per cent per year during 1970-81. Thus, the application of labour saving technology in almost all fields where international capital was involved reduced the demand for labour.[17]

Public sector workers involved in potential joint ventures expressed their opposition by using their unions to block them. Workers claimed that joint ventures with international capital would result in the liquidation of their factories and turn them into assembly plants for large international firms. Their fears were not out of place as these outcomes often followed. In general public sector workers were fearful of the loss of the gains made during the 1960s, such as the right to organize and the right to bargain for wages. Economic liberalization and the spread of private sector labour policies across meant that public sector workers were not immune from attacks on their wages, benefits and work conditions. As it happened, a fatwa (No. 882 of

[16] Aulas (1982: 14) notes that, "By the time of the 1976 census, 1.4 million Egyptians were counted as overseas, including 600,000 workers, or nearly five per cent of the active population."
[17] Ikram noted other studies that also confirmed the direct correlation between rising unemployment levels and the increasing application of capital intensive technologies. "As several studies – Fergany (1999), Radwan (1997), Karshenas (1994) – point out, the primary cause of unemployment in Egypt is deficient demand for labour, resulting largely from the capital-intensive character of economic growth during 1975-85" (Ikram 2006: 217).

1976) was issued stating that workers' representatives need not be elected by workers, but could instead be appointed by management. This soon became the practice in public sector banks, while spreading to other sectors of the economy.

The economy experienced a noticeable measure of growth and expansion in the post infitah period. GDP growth averaged 9 per cent and per capita income increased an average of 6 per cent per year. However, these positive developments were less due to infitah and more linked to an inflow of resources from oil production and export, Suez Canal, remittances (US$5 billion a year by the end of the 1970s) and tourism (Rutherford 2008: 135; EIU 1989: 13).[18] El Ghonemy highlighted that the share of gross investment in GDP from 12.5 per cent in 1967-73 to 26 per cent during 1975-83 was mainly public investment. The GDP share of domestic private investment stood at 4.6 per cent while that of foreign private investment reached 3.4 per cent, and mostly from oil companies (El Ghonemy 2003: 79).

Other trends that became dominant under infitah included the rise of commercial activity and an increased involvement of various social classes in this field.[19] Commercial interests became dominant actors in the economy and investments (both domestic and foreign private) tended to gravitate towards commerce.[20] As one observer noted, "[b]etween May 1974 and August 1976, commercial capital rose from 41 per cent of total Egyptian capital to 57 per cent. Of capital added in that 2.5 year period...64 per cent was commercial" (Cooper 1982: 109-10). The rise in

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[18] After the 1973 war with Israel, Egypt had gained its oil fields in the Sinai Peninsula and soon after oil production resumed. At the same time, the relaxation of labour migration to the Gulf States led to a huge flow of remittances to Egypt. The value of remittances had increased from US$189 million in 1974 to US$2,855 million in 1981. And finally, Egypt received grants and aid from conservative Arab states in return for its war with Israel. All of these flows contributed in lifting the budgetary constraints and in the short run and thus Sadat managed to avoid making any structural changes in the economy.

[19] The expansion of mercantile activities had increased the social power of the Egyptian commercial classes, which included not only technocrats, state officials, but also skilled workers who worked in the Gulf States (See: Cooper 1982, Table 7.3). Although new at their economic power, these groups struck alliances in order to guarantee their privileges. The power of this new 'upper class' was not derived from manufacturing but instead from finance and trade. An important vehicle for the promotion of the interests of this group was the ruling NDP created by Sadat.

[20] According to Zaalouk (1989), 'Commercial Agents' under infitah included military officers, large land-owning families, traditional trading and industrial bourgeois families, state sector technocrats, managers and senior civil servants, liberal professions such as accountants, lawyers, doctors, teachers, engineers as well as small scale merchants and domestic wholesale traders. This vast participation of various strata in infitah policy was also noted by Aulas (1982) who argues that all those who relied on non-governmental jobs tried to take advantage of deregulation under infitah, leaving the public sector workers, small peasants the urban unemployed and others on fixed incomes to suffer from inflation. For more on negative impact of infitah on workers and peasants, see: Waterbury (1983).

commercial activities was linked to relaxation on imports of technologies and equipment by the private sector. Tax incentives and repatriation policies too resulted in expanding the realm of commerce and banking. It appears that once implemented, the initial goals of infitah as being concerned with attracting technology and foreign capital were abandoned and instead a quantitative expansion of economic activity became the main goal (Cooper 1982). The foreign exchange gained through remittances was absorbed in purchase of luxury consumer goods or in real estate, cars and electronics. There was a boom in urban property development, construction, financial sector, food processing, textiles, services and tourism, and petroleum.

Budget constraints resulted in cuts in education and health spending by the government. By 1980, education received half of its 1960 budget share while the health budget was cut by one third of its 1960 levels (El Ghonemy 2003: 79). The one area that government could not cut from was food subsidies which reached 10 per cent of the GDP (El Ghonemy 2003: 79). The outcome was a rising level of debt and trade deficit that constituted about 20 per cent of the GDP by 1975/76. The foreign debt was either equal to or exceeded the GDP. Debt service was equal to 10 per cent of the GDP (Cooper 1982: 106-07). Sadat's response to this escalating economic crisis was yet another generous gesture (Law 32/1977) towards the private sector (foreign and domestic) to pull the economy out of the crisis. However, in order to avoid an escalation of the social conflict and possible social disorder, he continued to borrow and support price subsidies, leading to a dramatic rise in Egyptian external debt (US$17bn in 1981) (Waterbury 1983: 411).

Workers were aware of their potential losses and therefore as soon as Sadat began his project of de-Nasserization, they voiced their protest. In January of 1972, a mass protest by students and workers occurred. In January of 1975, workers of Helwan Steel Complex protested against the government's refusal to consider the demands of their union. Beinin noted that during 1975-76, real wages began to fall and protests followed. In March of 1975, a three day strike action was organized by the workers of Misr Spinning and Weaving Company in Mahalla al-Kubra, as a result of which workers won a wage increase from LE 9 to LE 15 a day for all public sector production workers in the country (Beinin 2009: 69-70). In August of 1975, Alexandria textile workers held a two-week long strike despite a ban on strike action.

The government took a punitive step in response to the strike and protests. In December of 1975, the government sequestered the funds of the General Union of the Egyptian Workers, the largest union in the country at the time. Waterbury (1983: 229) summed up labour unrest and state violence under Sadat as follows:

> In 1972, Canal Zone refugees and private sector workers rioted in Shubra al-Khaima over working and living conditions. Mahalla al-Kubra in 1975 and 1976 was the scene of bloody demonstrations by private sector textile workers demanding that their employer apply legislation on bonuses and minimum wages. On New Year's Day 1976, downtown Cairo was taken over by angry public sector workers unable to get to Helwan because of the electrified train line was not functioning… Rioting broke out on January 20 up and down the Nile Valley, but especially in Cairo and Alexandria. Police precincts were besieged, the homes of officials ransacked, shops and nightclubs looted and burned. The police lost control of the situation, and army units, for the first time since 1952, had to be brought in to restore order. In Cairo alone seventy-seven people were officially listed as killed.

An important factor in labour unrest was the rising cost of living due to high levels of inflation during the 1970s. To stave off the wider effect of inflation, Sadat's regime implemented multiple increases in minimum wage levels and maintained subsidies on basic goods. The regime raised the minimum wage four times, exempted small farmers and low urban incomes from paying taxes and offered bonuses. Waterbury (1983: 228-29) notes that these giveaways did not succeed in arresting inflation or its impact on those with fixed incomes.[21] The result was a series of protests and expressions of anger against the regime throughout the 1970s culminating in 20 January 1977, bread riots and the death of hundreds.

Social needs were left unmet and the level of discontent among the population was on the rise. This discontent was captured by the Islamists who openly criticized Sadat for failing to run the state and meet the needs of society. More importantly, Sadat and his regime were seen as nurturing a corrupt elite who had no ethos to serve

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[21] Beinin (2009) argues that Sadat's wage increases and bonuses were in response to workers' mobilization and strike action.

society and their only goal was to accumulate wealth.[22] According to the Egyptian Nadim Lachine, writing in 1977for the conservative and pro-infitah *al-Ahram al-Iqtisadi*, Sadat brought decadence, vulgar affluence and supported the growth of a nouveau riches class. The following excerpt by Lachine conveyed the concerns of many Egyptians about the impact of *infitah* on Egyptian society:

> Sadly, the majority of the Egyptian people have come to feel that they are unwelcome in the new consumer society. They live under a regime of 'economic apartheid,' a kind of economic discrimination that deprives the majority of the essentials of life while bestowing fantastic benefits and advantages upon a tiny segment of society. Whether this segment is that of the parasites and the individuals of the new class in Egypt, or from the Arab tourists who come to Egypt with an incredible buying power, they destroy Egyptian society and break its continuity (cited in Waterbury 1983: 230).

Infitah had sharpened class conflict and social tensions to the point that even its initial supporters no longer viewed it as a viable strategy of economic development. Instead, it came to be viewed as polarizing Egyptian society by widening social inequalities.

Agricultural Policy

The agricultural sector was radically reshaped under Sadat's regime. His policy intended to create a larger role for agri-business by promoting high value added cash crops for export, with the hope of increasing agricultural productivity levels and overall national revenues from the sector. In 1975, public investment in agriculture was reduced to 6 per cent of the total budget, down from 20 per cent in 1965

[22] A notable example of patronage policy and corruption was Osman Ahmed Osman who had accumulated most of his wealth through state contracts. Osman controlled the Arab Contractor's Company, a company that he personally owned prior to its nationalization under Nasser. Nonetheless, Osman became the CEO of the company, which received majority of Popular Development Programs (PDP). These contracts transferred the control of not only food security, but also land reclamations into the hands of Osman under Sadat. Given the high level of public funds' squandering, of 159 licensed PDP companies only 43 reached the production phase while the rest failed miserably. The state lost revenues and faced a serious economic crisis. The absence of accountability mechanisms within all levels of the state led to rising levels of corruption, something that the Islamists picked up on and united against in the late 1970s. As Sadowski (1991: 129) pointed out, Sadat was called the "'Pharaoh' who was of those who make corruption'" and therefore a legitimate target of assassination.

(Sadowski 1991: 71). Private investors were encouraged to fill the gap in land reclamation projects left by the public sector. To facilitate this, the regime passed laws that deregulated the land market, liberalized rents and gave landlords the freedom to determine the type of rents – cash or in kind – that they wanted tenants to pay.

By the end of the 1970s, the agricultural sector appeared to be in decline. By 1981 agricultural exports – as a percentage of total merchandise exports – were down to 13 per cent compared to 35 per cent in 1974. Food imports increased, resulting in an agricultural trade deficit of 9.3 per cent of the GDP in 1981 (Radwan and Lee 1986: 150-53).[23] The area of land cultivated with non-traditional crops had increased while cotton cultivation had decreased. As a result, the government's role in the marketing and distribution of agricultural products also declined while the private sector's role in the sector expanded.

The regime's taxation policy shifted the burden of taxation to land as opposed to taxation of incomes based on land productivity. This change served the interests of rich landlords who made significant gains by switching to capital intensive methods. In contrast, small farmers lost their lands as they could not compete with rich landlords or pay their land tax due to cutbacks in public sector support – primarily through the old cooperatives system. The Egyptian left viewed the regime's liberalization of agricultural sector as an attempt to radically change the social relations that had been established through the Agrarian Reforms of 1952. As Cooper (1982: 123-24) notes, the regime's incomes policy in agriculture, "was a conscious effort to alter the distribution of wealth and welfare in society – a redistribution which served upper-class interests."

The outcome was a reversal of the Nasser-era gains by peasants and small farmers and a reassertion of the economic and political power of large landholders. The development of agri-business transferred arable land from small farmers to large commercial owners – both domestic and international – who shifted the pattern of agricultural production towards the export market and away from production for the domestic market. In contrast to Nasser, who redistributed land to peasants and small

[23] Agricultural trade balance was in a surplus of 1 per cent of GDP in 1974 (Radwan and Lee 1986: 150-53).

farmers, Sadat redistributed reclaimed lands to private developers, public sector workers, agricultural engineers, university students, military families and veterans, all with the goal of strengthening his base of support. More importantly, the state provided guarantees to private property ownership by registering title deeds to redistributed lands. While some recipients received lease-hold deeds rather than free-hold deeds, the upshot was that there were no regulations on land beneficiaries as they were free to develop their plots as they saw fit. The loss of land in rural areas resulted in a mass exodus of rural migrants towards urban centres. Between 1972 and 1979, 650,000 labourers left agriculture to find work in the cities (Roy 1991: 559-60). While some of these workers succeeded in moving to the Gulf States to work in the construction sector, most found jobs in the booming Egyptian construction sector.[24]

State Power and the Restructuring Property Relations

The policy infitah was biased in favour of the propertied classes. Even prior to infitah, the regime issued the desequestration Law 34/1971 that aimed to restore property to the urban and rural elite and establish a political base of support for his regime.[25] While Nasser through his Land Reform policy expropriated the expropriators, Sadat carried out a strategy of accumulation by dispossession by targeting the gains that had been made by workers and peasants under Nasser. This specific character of Sadat's policy was evident in his policy of de-sequestration of lands that had been sequestered in the 1960s and before. As Ansari noted: "Sequestration, in the social dialectic of power, had different purposes. Under Nasser it was predominantly used to dispossess the wealthy classes although it was used against political opponents who were not necessarily wealthy. Under Sadat, sequestration became the means for suppressing political rivals, including the working class" (1986: 183-84). By changing the property relations, Sadat had two broader

[24] In examining the impact of remittances on village investment, Roy noted that most of the remittances went towards the purchase of a small plot for housing or for renting out. However, there was very little evidence that small farmers used remittances to shift towards capital intensive agriculture and farm mechanization (Roy 1991: 579).

[25] Ansari (1986) notes that Sadat's attempts to shore up support from conservatives within Egypt had a corollary in foreign policy of Egypt, whereby he sought support of conservative regimes like Saudi Arabia and other Gulf monarchies and the US while cutting off ties with the Soviet Union, the main trade partner of Egypt under Nasser.

goals in mind: to end the political isolation of the propertied class and to gain the trust of foreign and especially Arab investors.

One of Sadat's main contributions to reshaping power relations was the extension of state power into parts of Egypt where the state previously did not have much control. This was accomplished through the NDP and the absorption of local elite into the governing structures of rural Egypt.[26] The Local Government Law passed in 1975 was presented as a step towards decentralization and democratization. However, the Law strengthened the power of the central government and took away the power of local popular councils at the village level. This regressive step was accomplished by purging the ASU – which had granted peasants and workers representation at every level of the state – of radical elements while increasing the number of conservative representatives. By purging left-wing forces, Sadat not only gutted the ASU (leading to its abolition in 1978), he also increased the power of appointed officials at every level of the Egyptian state. The executive village councils, representing the central government and appointed at the village level, were empowered to veto the power of the popular councils. This not only watered down representation of peasants and workers in decision making, it also increased the opportunity for corruption and collusion whereby local council members were bought off by the powerful local elite.

The political networks created in rural Egypt ensured that a majority of the votes would be cast in favour of the NDP. These networks were maintained by rewarding loyal villages with government resources and withholding resources from rebellious villages where support for the NDP was low. Provincial governors – appointed by Sadat – tended to identify with the ruling party. The NDP also became an important vehicle through which businessmen, contractors, traders, speculators and rural magnates voiced their interests and determined policy outcomes under Sadat.[27]

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[26] Sadat dismantled the Arab Socialist Union and replaced it with the NDP (National Democratic Party), which from its conception until 2011 was the party of the ruling class and over time became more effective in organizing the various conservative and landed interests in Egyptian society.

[27] Sadat also lifted the 'Political Isolation Decrees' which prevented rural elite from participating in political life under Nasser. The change opened the door for rural elites into the political life of Egypt. They would come to form a strong interest group fighting against Nasserist policies. The extent of their power became evident in the 1980s and early 1990s when they succeeded in removing rent control through Law 96/1992.

Indeed, the launch of infitah in 1974 marked the beginning of a long process of consolidating and institutionalizing the rights of private property. In 1971 Sadat adopted a new Constitution which contained several articles establishing the sanctity of private property and limits of the state's power over it. Private property was offered protection from confiscation and sequestration by the state. In cases where private property was violated for the purpose of the public interest and in accordance with the law, the owners were fully compensated by the state (Articles No. 34 and 35). The importance of these constitutional changes was that, while Nasser had allowed private property to exist so long as it did not subject anyone to exploitation, Sadat elevated the sanctity of private property over concerns about social justice.

This institutionalization of private property rights came about mostly as a result of court rulings that assessed the constitutionality of laws passed under Nasser. The Supreme Constitutional Court (SCC), which was ratified as an independent judiciary body in the 1971 Constitution (Article No. 174, Chapter V of the Constitution), played an active role in asserting the right of private property through the reversal of Nasserist policies. The outcome of SCC rulings empowered the propertied classes, whether in rural or urban Egypt, at the expense of peasants and workers. In the following sections, I discuss the de-sequestration laws and tenancy reforms both of which played an important role in reversing the gains of the peasantry.

During the 1950s and 1960s, Nasser's regime had sequestered property from wealthy individuals in order to fulfill the goals of the Revolution. Sequestered property was placed under the control of the state until a decision was reached regarding its return to its original owner, its redistribution to peasants and small farmers or its nationalization. Under Sadat, sequestration was criticized as unfair treatment by the state, and therefore, in the course of the 1970s, a number of laws were passed to either restore sequestered properties or compensate the past owners in kind or in cash.[28] As a result, de-sequestration marked the beginning of a long process of dismantling progressive policies – especially in rural Egypt, where small farmers and peasants were once again subjected to the exploitation of landlords.

[28] With a total offer of $10 million, Sadat also compensated Americans who had lost their property during the nationalizations of Nasser (Forte 1978: 276).

Sadat passed Law 49/1971 which called for the "removal of all obstacles to a speedy settlement of all outstanding claims" for the families who had lost their property to Nasser's sequestration laws (Hill 1998: 132). Accordingly, the value of sequestered property was to be determined "on the basis of 70 times the land tax or 160 times the rates imposed on urban property" (Ansari 1986: 179). Financial settlements equivalent to US$50,000 per person or $100,000 per family were announced. As early as 1971, 800 proprietors saw their land returned to them (Forte 1978: 276; Zaalouk 1989: 57). Estimates vary, but the properties of between four hundred to five thousand landlords were restored accounting for a grand total of 635,000 feddans (Tignor 1990: 462).[29]

The final assertion of the right of private property came as a result of two different court rulings. The first ruling upheld the right of private property and accused Nasser of violating his own constitution through his policy of sequestration. Consequently, Nasser's Law 104/1964 – which resulted in appropriation of lands over the limits set by the regime – was rendered as unconstitutional by the Court. The Court emphasized that "the Constitution's call for 'social solidarity, self-sufficiency and just distribution which bridges the gaps of classes' does not allow the violation of other principles of the constitution such as protecting private property" which it argued Law 104/1964 allowed for (Hill 1998: 130-32). The second ruling in 1979 nullified any legislation that limited the restoration of property. Ansari writes: "The opinion of the court was that such limitation was tantamount to confiscation" (1986: 182-83).

In effect, de-sequestration resulted in the dispossession of small farmers and peasants who had received small plots under Nasser. The case of Kamshish Village demonstrated the nature of social change from Nasser to Sadat. The ruling elite of Kamshish village – the Fiqqis – had their lands sequestered in 1961. The land was later distributed among 200 small farmers from a total of 576 in the village. Under

[29] In August 1974, 22,000 feddans including 5,000 feddans of orchards were to be returned to their original owners. In September of 1974, another 1,700 feddans including 700 feddans of orchards in Sharqiyya governorate were returned to 86 owners. In total, 147,000 feddans were returned to their former owners, land that was redistributed among small farmers by the Ministry of Agrarian Reform. The government paid compensation for 17,000 feddans of land which the Ministry had redistributed with full ownership rights to 7,500 families (Ansari 1986: 182-83).

Sadat the Fiqqis recovered their land and received further compensation for their 'maltreatment' by the HCLF (Ansari 1986: 19-49).

The second important change in property relations was the outcome of Sadat's attack on the Agrarian Reforms of 1952. In 1976, Sadat destroyed agricultural cooperatives and, by extension, peasant security in land. He transferred the resources and capital of the cooperatives into the Principal Bank for Development and Agricultural Credit (PBDAC) whose main office was located in Cairo. Once he had created this centralized credit agency for agriculture, he encouraged agribusiness to develop and reclaim land across Egypt.

The regime of Sadat used the pretext of a lagging agricultural sector to dismantle the remaining Agrarian Reforms. In the second half of the 1970s, his regime imported as much as 40 per cent of Egypt's food requirements, 78 per cent of which was wheat. Critics of Nasserist rule linked the rising food imports and agricultural decline to the restrictions that had been placed on producers. It was argued that because of pro-tenant policies, landlords had no incentives to improve their lands. These critics called for a "balance between tenants and landlords" by reversing the agrarian reforms (Ansari 1986: 189).

The ceiling on land ownership also came under criticism. Critics argued that caps on landownership prevented the establishment of large estates and the development of capital intensive agriculture.[30] Removing the limitations on landownership indeed facilitated the rise of large estates and the emergence of rich farmers who moved away from field crops – broad beans, lentils, peanuts, sesame, soya and potatoes – and invested in fruits and vegetables for export. The returns on export produce were substantively higher than for field crops. The area covering orchards expanded from 64,000 feddans in 1952 to 313,000 feddans in 1976; by 1977 they became free of tax. The area dedicated for vegetable production had increased from 625,000 feddans in 1966 to 913,000 feddans in 1976 (Ansari 1986: 190).

By 1979, the agricultural sector had undergone radical changes as a result of Sadat's assault on small farmers. Rents had increased by as much as 100 per cent. In

[30] Ansari (1986) argues that contrary to the claims by critics of agrarian reform, even under Nasser, it was the small producers of field crops bore the brunt of agricultural restrictions as they relied on the state for inputs and for prices of their produce. Rich farmers had elected to stay out of agricultural cooperatives and were thus not affected by prices or restrictions placed by the state.

July 1975, Law 65 increased rents at seven times the land tax while landlords gained the right to evict tenants who failed to pay rents within a specified period of time (Ansari 1986: 191-92).[31] These changes in tenancy relations affected 1.5 million peasants and an area of 2.5 million feddans, or around 43 per cent of the cultivated land (Ansari 1986: 192).[32]

In short, the restructuring of property relations led to the rise of a class of rich farmers who enjoyed guarantees against nationalization and sequestration of their properties. Rich farmers eventually succeeded in dominating village popular councils after Sadat changed the definition of a peasant to anyone owning less than fifty feddans (Sadowski 1991: 81).

Housing Policy

In the context of infitah, Sadat's housing policy was subordinated to the goals of attracting foreign investment and tourism.[33] To realize these goals, he enacted laws that facilitated the role of the private sector in the housing market, dismantled Nasserist rent control laws and reduced public investment in housing by subjecting the public housing sector to competition with the private sector and encouraging the construction of units for sale.

The Egyptian housing market had experienced a hiatus due to the costs of the 1967 War. Housing shortages were worsened after the 1973 Sinai War which displaced the residents of the Suez cities. Housing and infrastructure in Cairo came under heavy pressure because of the flow of rural migrants on the one hand, and the relocation of Suez residents on the other. In formulating his housing policy, Sadat outlined his goals of reducing the burden of over-crowded cities, such as Alexandria and Cairo, and eradicating slums by relocating people to New Towns and rebuilding the destroyed cities in Suez. New Towns, which will be discussed in detail below,

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[31] The rent increases only affected rural rents according to Law 65/1975.

[32] The next major change in rural land relations with a comparable impact on tenants would happen as a result of Law 96/1992 under Hosni Mubarak, see Chapters Eight and Nine of this dissertation.

[33] Housing was a preferred area of investment not only for Arab investors, but also for Egyptian migrant workers who earned high wages in the Gulf State. Workers' remittances reached over $1.5 billion by the late 1970s and most of it was invested in the housing market (Roy 1991: 560-61).

were Sadat's policy to direct/guide investment for production and to solve the housing problem.

The success in rebuilding the Suez Canal Cities provided a blue print for the further development of desert cities which would be linked to economic development. The private sector participated in rebuilding the Suez Canal region because of the potential economic gains from the region. Free zones were established to offer investors cheap land and labour. A new Ministry for Development and Reconstruction was established with the task of ensuring freedom of action for the private sector. Rent control laws were lifted while concessions on profit repatriation were offered to investors. Most investment came from Arab investors in the Gulf States. Sanctioned by the state and with investment ceilings reaching LE 500 million, the private sector engaged in building housing for profit by implementing new cost-saving methods and prefabricated technologies.[34] Outside of the Suez area, private investors were free to build housing units for profit. This resulted in a hike in the number of luxury units, which were sought by Arab tourists, businessmen and foreign nationals.

In the post 1974 period, housing development became a joint initiative between the public and private sectors. Joint ventures would involve a number of agencies such as Ministry of Development and New Communities (formerly the Ministry of Housing)[35], the General Organization of El-Awqaf, Cairo Governorate, Giza Governorate, The Arab Contractors Co., Nasr City Co., for Housing and Development, The Civil Egyptian Insurance Co., Misr Bank, Cairo Bank, Nasser Bank, and Alexandria Bank. Between 1970-71 and 1980-81, the private sector added

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[34] During 1975-77, the Ministry of Housing and Reconstruction headed by Osman Ahmed Osman, imported ten large prefabricated concrete panel systems from the West. The prefabricated systems had a huge impact on the construction sector which was affiliated with the M. O. H. R. at that time. As Egyptian skilled labour was absorbed in the Gulf States after infitah, the construction sector faced a shortage of skilled labour. The import of prefabricated systems aimed to help the construction sector deal with the labour shortage, save capital and resources. Under Sadat, the two basic materials – steel and cement – were produced exclusively by public sector companies. In the course of the 1970s, the construction industry boomed due to oil price increases and demand for luxury housing and office space by Arab investors. To respond to this demand, new state owned construction companies were created. At the same time, the private sector was encouraged to invest in the construction sector. See: Moavenzadeh and Selim (1984).

[35] There was no designated ministry assigned with the task of housing, but instead the responsibility was divided up among various ministries (Ministry of Housing and Construction, Ministry of Planning and other ministries), each competing for influence at the local level and for access to public resources.

406,228 housing units while the public sector added a total of 162,140, of which 114,237 were added by local governorates and 47,903 by the Ministry of Reconstruction. The Ministry of Reconstruction started adding housing units after 1975, mainly in the war torn Suez region.

Table 6.1 Production of Formal Housing in Egypt, 1960-83

Period	Public Units	Private Units	Total	Growth of Population (million)	Annual Housing Unit Completion (per thousand population)
1960-64	61,000	79,000	140,000	3.274	8.6
1965-70	56,000	110,000	166,000	3.000	9.2
1971-76	40,000	86,000	127,000	2.961	7.2
1977-83	150,000	619,309	769,309	9.428	11.7
Total	307,000	894,309	1,201,309	18.663	36.7

Sources: Feiler (1992: 301); Soliman (1988: 68).

Table 6.2 Regional Housing Production and Population Increase, 1966-76

	Lower Egypt	Upper Egypt	Total increase
Population increase	45.86%	35.74%	6,580,322
Housing Production	35.21%	28.31%	1,488,712

Source: Bayad (1979: 96).

Cairo took centre stage in Sadat's housing policies both because of the rising levels of population due to rural-urban migration (and the subsequent growth of slums this caused), but also because of the rising value of land which served as a magnet to private investors. Cairo had become an attractive destination for rural workers since the beginning of the twentieth century, but pace of rural-urban migration had increased dramatically after the revolution. Along with an early phase of infrastructure development in the 19th century, Cairo's other pull factors included the considerable size of its urban market, the availability of services and the proximity to other enterprises that supplied inputs or consumed the products of other industries. In 1952, Cairo had 37 per cent of the country's industrial labour force; by 1966, it had increased to 44 per cent (Bayad 1979: 90). The solution for the rising population was the New Towns, which were part of the Entrance Master Plan for Greater Cairo's expansion adopted in 1976 (Bayad 1979: 91).[36] A total of $11.5 million was to be spent on the production of 300,000 housing units by 1980 (Antoniou 1978: 49).

Rural migrants continued to arrive in urban centres leading to increased demand for housing and services. According to a study conducted by the American Chamber of Commerce in Egypt (1995), Sadat intended to increase national income, improve the living standards of the population, and ease the pressure on crowded cities. A two-pronged approach was launched to accomplish these goals. The first was the Free Zones Investment System and the second was the New Communities. Another factor behind the policy of the New Towns was the fear that unplanned urban informal housing would encroach onto limited fertile agricultural land and increase pressure on existing services and infrastructure. It was hoped private investors would move their operations to the New Cities in the desert and create 'pull factors' for population from the big cities such as Cairo and Alexandria.

In 1979, Law 59 established the New Urban Communities Authority (NUCA henceforth) to carry out the development of the New Cities/New Communities. The New Communities included first generation cities with a population of one million and second generation cities with half a million population.[37] According to the Law,

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[36] One area of government focus was infrastructure development in Cairo. In 1977, a study was commissioned by the Ministry of Housing and Reconstruction for sewerage work for Greater Cairo until the year 2000. Large districts of Cairo at the time lacked sanitary disposal of waste or treatment plants for sewerage.

[37] First generation cities were Tenth of Ramadan, Sixth of October , Fifteenth of May, New Bourg El Arab, New Salehiya, New Damietta and El Sadat and second generation cities included Al Shorouk, El Obour, El Amal and others.

the New Communities were not to be located on arable land and received first priority in getting industrial permission. While the private sector was to build the New Cities, the government would provide infrastructure and public buildings. Land in the New Communities was offered cheaply for investors, with prices ranging between LE 71 per square meter in Fifteenth of May City and LE 15 per square meter in New Nubaria (ACCE 1995: 15). The housing units were subsidized and buyers were promised tax reductions.

Despite a large amount of public investment and land being allocated to the development of desert cities or New Cities, future assessments of the New Cities' policy indicated that the New Cities closest to Cairo had prospered due to their proximity to services and infrastructure of Cairo while those furthest from the capital had not done so well. While tax incentives and provision of infrastructure by the public sector made some New Cities attractive to businesses, inadequate services, lack of amenities and unaffordable housing discouraged workers from settling there.[38] Most workers who worked in the new towns, found it more affordable to commute from Cairo. Ill-devised and bad planning meant that the New Cities remained as ghost-towns until the 1990s when middle class commuters flocked to them to avoid Cairo's overcrowding, noise and pollution.

The housing market had always remained a preferred area for investment by a broad group of individuals, both Egyptian and non-Egyptian.[39] The housing market became an even more attractive field for investment under Sadat due to the liberalization of this sector.[40] A major example of beneficiaries of Sadat's housing policy was Osman A. Osman, the director of Arab Contractors and Egypt's Housing and Reconstruction Minister under Sadat. As Waterbury (1983: 182) points out, "Contracting and subcontracting in construction provided limitless possibilities in

[38] Given that the targeted workers, who were supposed to reside in the New Towns, could not afford the new apartments, the size of the apartments were reduced from 600 square meters to 120 square meters by 1982 in an effort to attract low in-come earners (Chatterji 1990: 501).

[39] Among others, the housing cooperatives benefited from infitah housing policies. By the mid-1970s there were almost 1,000 cooperatives whose members had acquired urban land for speculative purposes (Bayad 1979: 187).

[40] Public sector investment in reconstruction and housing ranged from LE 391 million in 1974 to LE 654 million in 1975. Between 1976 and 1981, public sector budget for reconstruction reached LE 700 million or 40 per cent of the public budget for the period. Of this total, 80 per cent was handed over to the private sector through contracts to build the satellite cities in the desert, build the ports and rebuild the Canal Zone cities (Waterbury 1983: 182).

kickbacks, and the siphoning off of building materials into the black market." Osman's Arab Contractors employed 50,000 workers and its annual business was worth LE 200 million both inside and outside of Egypt. Osman had total control over the vast budget for the reconstruction of the Suez Canal Cities controlling millions of dollars of funds that flowed from Arab States (Waterbury 1983: 182).[41]

Land developers also took advantage of the free market in land, making millions either through fraud or by violating building and construction codes with disastrous outcomes for tenants.[42] On Christmas Eve of 1974, an eleven storey building in Doqqi, just outside of the centre of Cairo City collapsed, killing the owner and his two family members. Investigations into the collapse showed that the contractor had received a permit for building a six storey building and the collapsed building had no steel reinforcement bars. Waterbury (1983: 183-85) indicated that such practices were "typical of the private sector building entrepreneurs."[43]

By the late 1970s, the left's prediction regarding Sadat's housing policy seemed to have come true. The left believed that Sadat's infitah was an ill-conceived policy without sufficient planning to guide private investment. The outcome of infitah indeed indicated failed planning by the state that resulted in the breakdown of social order. Policies of infitah were seen as promoting greed without any regard for the poor or the workers who relied on fixed incomes. Indeed class polarization

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[41] Under Nasser, Osman's domestic businesses were nationalized but he was allowed to carry on with his foreign businesses. Under Sadat, he continued to control Arab Contractors, a public sector company yet directed by Osman and with very little accountability. In the last days of Sadat, Osman continued to influence land related policies. He was the principal presidential advisor on food security which allowed him to promote agro-industrial ventures like the Pepsi Cola citrus project near Ismailia. However, Waterbury (1983: 183) notes that "the scale of [Osman's] operations are not typical of the private construction sector as a whole."

[42] Hanna (1985: 209) explains why such violations were possible in the housing sector: "With the Infitah slogans appeared to 'break the bureaucratic routine' with the aim of 'facilitating the road for the private sector to solve the housing problem.' Under these mottos, the grip of the technical staffs of the local housing authorities decreased or ceased. Many buildings were now put up without an official permit for the drawings or check to see that they fulfill the bylaws of town planning regarding space, height, natural light to each room, and such things...The critical issue is that the execution of the work is carried out under the responsibility of the owner without the control of local authorities or any impartial body."

[43] Another example of a land developer trying to make a quick buck from the Egyptian housing market was Canadian Peter Munk. In 1975, Munk's Southern Pacific Properties (SPP), registered in Hong Kong had established a joint venture in Egypt by investing $500,000 while the Egyptian public sector had contributed 10,000 acres of land near the pyramids as its share of equity. By 1977, Munk had made $4 million for simply selling off public sector lots without improving the land. The deal came under investigation and by 1978 Sadat annulled it.

increased under Sadat, squeezing out the middle class, leaving only a class of rich and a mass of poor. The left argued that:

> Arab investment in above middle housing and urban development will affect the wages of construction workers. It will absorb building materials, from which we already suffer a lack, in those projects at the expense of regular, or economic and popular housing projects. In addition to that, the land found in excellent areas will be owned by Arab investors (Cooper 1982: 105).

Workers' low wages could not keep pace with the high rents in the newly built housing units since most of the new units were in the middle-income or luxury category. Resources from the public sector supported joint venture projects which engaged in for-profit housing production, not to serve the needs of workers. Finally, the flow of Arab investment had inflated land prices in Cairo.

Under Nasser, urban residents enjoyed rent control. In the 1970s, however, rent control laws and renters' rights came under attack from the state and the landlords. To support the private sector and private housing, the government began dismantling rent control legislation by increasing rents and allowing landlords more rights against their tenants.

The rent laws passed under Sadat recognized the rights of owners over those of renters. Through Laws 49/1977 and its amendment through Law 136/1981, attempts were made to attack rent control and limit tenancy rights. Law 49/1977 fixed rents on the basis of 1974 land values, while adding an annual increase of 7 per cent. Law 136/1981 extended the power of landlords by introducing 'equilibrium' into the tenant/landlord relationship, as it was claimed that Nasserist laws were too anti-landlord. The Law required tenants who had constructed new multi-unit buildings to offer a unit for the same low rent and with the same tenancy rights for the owner of their unit in the new building or vacate the unit. The impact of Law 136/1981 however was partial as it only applied to those renters who had the financial capabilities of erecting new buildings and not the majority of renters who were on low, fixed incomes.

In order to encourage private investment in the housing sector, all new buildings were exempted from rent control while existing rent control was to be gradually phased out. Luxury housing, a main focus of Arab and domestic investors, continued to be exempted from rent control laws. Other categories of housing that were exempted from rent control included furnished apartments, units rented to foreigners and units sold as condominiums. The outcome of these trends made the housing market even more unstable as housing prices and rents spiralled out of control.

A second front of attack on rent control came from the landlords whose buildings fell under rent control category. Violations of rent control under Nasser occurred but these were insignificant compared to the common practice of key money which had proliferated under Sadat. In the 1970s, landlords launched an indirect battle against rent control legislation by neglecting their legal responsibility for maintenance and repairs which often resulted in the collapse of buildings. They preferred to pay fines instead of respecting the housing laws. Disregarding landlords' actions, residents undertook repairs of the buildings they resided in and after their death, their flats passed on to their children at the same low rents. It was in this context that landlords began exploiting tenants with the use of key money. While landlords could not increase the rents, they would ask new tenants for a huge sum which sometimes exceeded the cost of the flat itself. The key money was then divided between the old tenant who would renounce his contract and the landlord giving the landlord a fresh start with a new tenant. By 1974, when per capita incomes were at about LE 180 annually, key money for an average unit could reach into the thousands LE, and commercial leases enabled landlords to extort hundreds of thousands of pounds in key money from tenants (Waterbury 1983: 183-85).[44]

With the possibility of high returns on property, landlords found ways to re-possess rent-controlled buildings. They tried to circumvent rent control by building on top of rent-controlled buildings and houses, often leading to the collapse of the foundation. These developments occurred because of lax government policy as well

[44] In this context, land prices sky rocketed making housing ever more inaccessible for workers. Ayubi (1991: 74-75) notes that on one square meter of land on the Nile Corniche cost LE 400 in January of 1976 and by January 1978 it had jumped to LE 1,500, an increase of 270 per cent in just two years.

as demand by entrepreneurs and rich Arabs for furnished flats or office space since the beginning of infitah. Often the older, rent-controlled flat could fetch LE 20 pounds in rent, whereas office space or furnished flats built on top of the old flats could bring in LE 2000 (Hanna 1985: 210).

Sadat continued to partially maintain Nasserist rent control laws despite increasing the actual rent levels on low income housing. He addressed the continuing shortage for low income housing by regulating the construction sector and stipulating a minimum number of low income housing to be built nationally. Of the total housing built, 55 per cent had to be economy housing, 37 per cent middle class range and 8 per cent luxury. However, the private sector succeeded in exploiting loopholes such as the absence of taxation on vacant land to amass land and drive the price of land to unprecedented levels (Harik 1998: 160). Egyptian landlords with big plots of land also demanded the right to expand the luxury housing market. As a result, the proliferation of luxury housing was coupled with a rising cost of construction materials and rising interest rates, the latter as a result of the demand of investors. In the meantime, interest rates had risen from 8 per cent to 20 per cent resulting in rising rents for tenants (Hanna 1985: 199-200).

The outcome of housing market liberalization was a rapid increase in land prices over a short period of time. Hanna (1985: 199) notes that, "the price per square meter, which was LE 60 up to 1973, became LE 1000 in 1976 for the more desirable areas overlooking the Nile." Price increases not only accelerated year by year, but "from month to month" (Bayad 1979: 171). The overall impact of Sadat's housing policy was a rising cost of housing and rent and consequently a rise in class inequalities. By the late seventies, the housing market was such that customers could not find affordable rentals while developers and landlords could not find customers who could afford luxury housing, resulting in frozen value as thousands of apartments and villas remained vacant (Harik 1998). By the late 1970s there was an urban housing shortage of 35 per cent and rural shortage of 25 per cent (Feiler 1992: 297-98). According to one estimate, in order to end urban housing shortage, there was a need for 320,000-350,000 new housing units annually to accommodate the rising population and new families in need of shelter (Bayad 1979: 233).

As the formal housing market failed to meet housing demands of the workers, informal housing experienced a rapid expansion in the 1970s. The urban population tripled since 1952, reaching 40 million by 1978, and Cairo became one of the most crowded cities in the developing world with two thousand inhabitants per square kilometre. Housing production did not keep up with this increase (Ansari 1986: 211-12). The existing housing stock was deteriorating in the absence of maintenance by landlords. In the 1970s, 33 per cent of the housing stock dated from before 1952 and possibly half were more than 50 years old. By 1975, the Ministry of Housing and Reconstruction estimated that 300,000 housing units in Cairo were obsolete while the popular housing built in the 1950s was in a dilapidated condition (Bayad 1979: 99, 135).

Consequently, as public investment in housing declined, formal housing production levels dropped and informal housing became the dominant form of housing. At the same time, due to infitah policies, wages either stagnated or declined which affected workers' ability to rent houses. Bayad estimated that in 1976, 76 per cent of the population could not afford formal housing prices (1979: 175). At the same time, private investment in housing was channelled towards the building of luxury housing. The outcome was that in the absence of public investment in affordable housing, the only venue for low income earners was the informal housing market. Informal housing on agricultural land expanded while thousands made the Cities of the Dead their home. Under these circumstances, many people were forced to rent in the informal housing market. Between 1966 and 1976, formal housing numbers stood at 27,000 in urban areas and 6,000 in rural areas. In contrast, informal housing numbered at 40,000-60,000 units in urban areas and 50,000-70,000 in rural areas per year (Bayad 1979: 99).

The source of financing for informal housing either was personal savings, or increasingly in the 1970s, workers' remittances from the Gulf States. These remittances found their way into informal urban housing as a secure source of investment. In a way, the remittances relieved the housing problem of Egyptian workers' families who were new migrants in urban centres and lived in overcrowded conditions. A construction frenzy followed by 1974 as new buildings were going up with different levels of extensions being added leading to absorption of rural peripheries by urbanization. Notwithstanding the increase in the level of housing stock, eighty per cent of the new housing units in Cairo during the 1970s were considered as informal (Soliman 2004: 50).

While a Master Plan for Cairo had been completed in 1970, the government did not have the ability or the will to implement the Plan. Consequently, by the late 1970s, informal housing continued to develop on the northern and western peripheries of Cairo on subdivided agricultural lots where land was still affordable. Informal settlements eventually extended into the desert land and around cities (El-Batron 2004). USAID encouraged self-help programs to maintain and restore informal housing; the government of Sadat refused to adopt such a policy as it meant legalizing the informal housing. Similarly, building codes were applied only to formal urban buildings while 70 per cent of informal urban buildings were built according to traditional codes similar to rural areas by late 1970s. Slums also existed in the medieval quarters of towns or in villages that were in the process of urban expansion.

In rural areas, informal housing was built on subdivided agricultural land and was financed through personal savings or interest free loans from relatives. Construction materials were often basic such as silt and palm leaves and occasionally red brick. The informal housing market functioned without official building codes, but applied traditional standards to housing safety. The state often interfered by providing infrastructure after the buildings had been erected. The main reason for state intervention had been a concern to slow down or completely stop the encroachment on agricultural land by residential buildings.

In contrast to urban areas, housing development in small towns and villages did not attract a noticeable level of either formal private or public investment. Instead of the central government, local governorates were made responsible for housing development and regional planning. In 1973, a presidential Decree had established the Agency for the Reconstruction and Development of the Egyptian Village (ARDEV) with the intent of promoting home ownership. Seventeen villages in various governorates were selected as part of this experiment whereby the government would build houses corresponding to the socio-economic conditions of a family – or in other words, cutting costs by relying on cheap local labour and raw materials. The state assumed 20 per cent of the cost while the beneficiaries were expected to make an initial 20 per cent payment. The remaining 60 per cent was to be paid over twenty years in interest free instalments (Ayubi 1991: 215). The state also provided basic infrastructure as well as sanitation facilities. While this seemed like an idea that could have positive outcomes, by the end of the 1970s, ARDEV had deteriorated. Rural housing continued to be built on private sub-divided agricultural land. It was not only the rural inhabitants who sub-divided agricultural land: the state was equally engaged in sub-dividing it and selling it to private developers.

It should be noted that the demand for housing in rural Egypt was not as pressing as it was in major urban centres due to a rapid pace of rural-urban migration especially in the 1970s. Ansari (1986: 212) noted that the population of rural areas declined from 81 per cent in 1960 to 56 per cent in 1976. While some of these new migrants succeeded in going to the Gulf States for construction work, a large number of them found employment in the domestic construction sector. Many migrants, however, could not find adequate housing and often had to live in slum conditions, cemeteries or overcrowded run-down housing. These deteriorating living conditions became the source of anger of many rural immigrants. Al-Zawiyya al-Hamra, for example, was previously a *waqf* property of forty feddans that had been turned into state property under Nasser in order to house the newly arrived migrants from rural areas. In 1979, the government decided to relocate the residents from the slums of Eshash al-Torgoman and Arab al-Mohammadi to al-Zawiyya al-Hamra, which was already overcrowded. Sadat commented on the relocation decision in the following excerpt which appeared in Mayo, the NDP's official newspaper:

> Listen, for thirty years, from before the 23 July revolution to this day, we have been facing a big problem called the problem of Eshah al-Torgoman and the Arab al-Mohammadi in the centre of Cairo. It is a major problem and it gives a very bad picture of the people's standard of living. I have summoned you to tell you that the time has come to solve this problem immediately. I will no longer allow the continuation of this problem...Al-Kafrawi acted immediately. He chose al-Zawiya al-Hamra and decided to move the inhabitants of Eshash al-Torgoman and Arab al-Mohammadi there. Last year I went to al-Zawiya al-Hamra, toured the area, entered some houses and talked

> to their owners. I was really pleased to see happiness in the faces of the new residents. They had left their shacks and now lived in healthy houses in an area that was rebuilt in accordance with the modern system (Sadat cited in Ansari 1986: 226).

Sadat could not have been more out of touch with the mood of the relocated residents of the slum. The decision to destroy the slums was intended to recover high value land in the centre of the business district in Cairo in order to build luxury hotels and tourist centres and residents were fully aware of this. The evacuation of 5,000 families (up to 30,000 individuals) was done using state security forces. Living conditions in al-Zawiyya al-Hamra were "appalling" according to a sociologist who had visited the area after the relocation of slum residents (Ansari 1986: 225-26). In June 1981, al-Zawiyya al-Hamra was the scene of ugly sectarian clashes and communal riots and was the breeding ground of extremist Islamist elements – Tanzim al-Jihad – that assassinated Sadat in October of the same year. The clashes in al-Zawiyya al-Hamra were not only due to lack of sufficient living space; it was also the result of citizens' frustration with the rising cost of living due to inflation and government policies that only served the interest of investors.

Conclusion

Critics of Sadat's policies charged that infitah was an ill-conceived policy that was going to result in deindustrialization, a rise in financial activity, tourism and luxury housing construction, a loss of skilled labour to Arab oil countries and the private sector while the public sector would be drained from essential investment. By the end of 1977, these predictions had come true. The state's taxation policy resulted in a decline in public revenues while the rich enjoyed un-taxed profits and un-taxed incomes. The government increasingly relied on borrowing to support its subsidies' program and social services.[45] Contrary to the logic of infitah and the free market, public expenditure did not decline after infitah, but rather increased from 48.7 per cent in 1976 to 62.9 per cent in 1981-82. The recipients, however, were not workers and peasants. Instead, most of the expenditure was directed in the areas of law and order (military), which grew from LE 91.5 million in 1976 to LE 241 million in 1980-81(Ayubi 1995b: 300-01).

The agricultural sector had failed to meet the basic needs of Egyptians forcing Sadat to maintain food subsidies through borrowing and heavy imports, all of which not only increased the external debt, but also failed to prevent mass protests and revolt by ordinary Egyptians.[46] In general, Egyptian society experienced a decline in agricultural sector, a rise in urban overcrowding and decay with a growing working class left to fend for itself. The losers under infitah were disproportionately the small peasants, public sector workers, and the urban unemployed. Infitah had in effect reordered social property relations by increasing the economic divide. This was perhaps very obvious in the area of housing where the construction industry received a major boost. While the regime of Sadat did not reverse Nasserist housing policy in its entirety, his policies of favouring the private sector resulted in the rise of a luxury housing market. Under these circumstances, informal housing became the main avenue for rural-urban migrants and increasingly for residents of major urban centres. As one commentator observed that the "highly charged" and class nature of infitah could no longer be masked by its supporters who unfairly benefited from it; and he noted that at its heart, infitah was a "highly political" policy and "it was only a matter of time before it became consciously recognized as such" (Cooper 1982: 124).

The chapters in the next section examine the response of the Egyptian state to the economic crisis and the unfolding of economic liberalization as a strategy of development during the 1990s and 2000s.

[45] Egypt's external "debt increased on an average of 28 percent per year under Sadat, compared to 13 percent over the previous ten years" (Aulas 1982: 8).
[46] The biggest bill for the public sector was linked to the cost of subsidies on seven basic commodities: wheat, flour, sugar, rice, cooking oil, tea and butane gas. These cost the state over $2.9 billion in 1981 (Aulas 1982: 9).

Part III. Neoliberalism, Property Rights and the Housing Crisis under Mubarak

Chapter 7. Neoliberalism and the Mubarak Regime

In the context of declining oil prices and the credit crunch of the mid-1980s, and with over two million of its workers in the Gulf States, the impact of the oil shocks on the Egyptian state was severe as much of its revenues were linked to the regional oil economies. In the face of a deteriorating economy, the Mubarak regime, pressured by USAID and the IMF, as well as by an emerging domestic ruling class, introduced 'free market' reforms. The decades of the 1990 and 2000 witnessed the emergence of a coherent set of class interests that coalesced around real estate and agriculture and who used the state effectively to further their interests. It is in the period that we witness capitalist accumulation strategy based on dispossession of workers and peasants take off. This chapter examines the project of neoliberalism, the process of its implementation (ideological justification, institutional reforms and policies) and the political, economic and social outcomes in Egypt. The first section provides an overview of the 1980s crisis and how that crisis provided the backdrop to the "free market" reforms of the 1990s. The second section examines the beginning of the neoliberal era from the launch of ERSAP in 1991 to the economic downturn in the late 1990s. A final section discusses the consolidation of neoliberal reforms and ruling class power under the premiership of Ahmad Nazif from 2004 onwards.

The Crisis of the 1980s

The 1980s constituted a decade of political and economic crisis in Egypt. The assassination of Sadat in 1981 foisted the Presidency onto Hosni Mubarak and changed the political context of reform away from liberalization and towards a security clampdown against the rise of Islamic extremism. The bread riots, combined with the economic failures of infitah, the rise of 'conspicuous consumption' and corruption amongst the 'infitahyoun', sparked a popular backlash against the reform process. The re-introduction of the Emergency Law[1] enabled the regime to repress the Muslim Brotherhood and to confiscate its property and its assets. Within this

[1] The Emergency Law was first introduced in 1967 in the context of the war with Israel. Sadat repealed it in 1980, but it was reinstated in 1981 under Mubarak.

political context, the reform movement which supported the infitah was largely derailed until the late 1980s.

By mid-decade, Egypt faced a serious decline in real income per head, a negative balance of trade, a huge fiscal deficit, high levels of external debt, rising from US$2 billion in 1960 to US$22 billion in 1981, amounting to one and a half times the GDP (Niblock 1993: 35). The extent of the economic crisis was conveyed in the following passage:

> ...[T]he world oil glut and terrorism which affected the tourism industry...drastically reduced Egypt's foreign currency income. Depressed oil prices cost Egypt about $1.2 billion in revenue [in 1986], and remittances from expatriate Egyptian oil workers also dropped. Income from tourism fell about 40 percent after a spate of terrorist acts in the region in 1985 (Baligh 1986).[2]

Egypt's foreign debt had reached $36 billion in 1986 and official estimates indicated that it would cost US$3 billion in annual interest payments over the next three years. In light of these circumstances, the Egyptian government began negotiations for a $1 billion standby credit with the IMF in order to deal with the balance of payments deficit.[3] Debt-servicing obligations between 1984 and 1987 had increased by an average of $1.7 billion a year, and total debt exceeded US$40 billion by June of 1987 (Ikram 2006: 56). By 1989, Egypt's debt service obligations consumed forty per cent of its foreign exchange revenues (Bromley and Bush 1994: 202).

Table 7.1 External Debt (Short and Long Term), 1981-1991

Year	Short and Long Term External Debt ($ US billions)	Debt Services ($ US billions)
1981	22.077	0.2
1986	39.896	11.4
1988	46.146	10.8

[2] The decline in oil prices from US$41 a barrel in 1980 to $8 in 1986 had negative implications for Egypt's sources of revenue – remittances, oil exports, Suez Canal fees and tourism (Farah 2009: 40, 80).
[3] The government was also negotiating $800 million with the World Bank to fund development programs (Baligh 1986).

1991	32.630	2.7

Source: Ikram (2006: 149).

Faced with rising unemployment, decreasing wages, an expanding imports bill and a rising levels of debt repayment within an inflationary context, the government began serious negotiations with the IMF.[4] Atef Sedki (1986-1996) was appointed as Prime Minister in the midst of economic crisis and was assigned with the task of resolving the crisis. An economist by training however educated in France, Sedki responded to the economic crisis through a technocrat's lens. He oversaw the negotiations with the major financial institutions and was instrumental in the ERSAP deal.

The two main concerns of the IFIs were to stabilize Egypt's macroeconomic indicators and to implement a program of structural reforms that would fully liberalize the Egyptian economy. The IMF demanded cutting the budget deficit (23 per cent of the GDP by 1986) by cutting expenditures on subsidies and devaluing the exchange rate and increasing interest rates to encourage savings (Ikram 2006: 58-59). Throughout its negotiations with the IMF, political stability remained the government's top priority contributing to a slow pace of implementation of IMF-proposed reforms. However, by the end of the 1980s, the IMF succeeded in achieving some of its goals, such as a reduction in subsidies and price increases on basic commodities, and further pushed Egypt down the path of liberalization.[5] Some of the notable reforms implemented by the government prior to 1990 included: the adoption of Investment Law 230/1989; the beginnings of the privatization of public sector enterprises; the liberalization of the financial sector; and setting the stage for the liberalization of the agricultural sector.

Mubarak's Investment Law 230/1989 built on Laws 43/1974 and 32/1977 passed during Sadat's tenure. It allowed foreign companies' full rights of ownership,

[4] The number of Egyptian workers in the Gulf fell from approximately three million in the early 1980s to less than one million by 1987 reflecting a radical decline in remittances (Rutherford 2008: 136). The government was also responsible for providing jobs for most of the university graduates and majority of the female workers, a factor that placed further constraints on the fiscal capacity of the state.

[5] Niblock (1993: 44) notes that the Egyptian government was concerned that too many reforms over a short period would destabilize the country and result in social upheaval. Despite these concerns, various demands of the IMF, such as price increases on energy and basic commodities, were implemented. The main demand that the government resisted was that of exchange rate unification and devaluation. Most of this resistance came from within the NDP.

facilitated the transfer of state land to the private sector, allowed the transfer of net profits abroad and provided guarantees against expropriation and/or sequestration of property or accumulated assets. Businesses benefited from tax holidays ranging from five to fifteen years, foreign employees were exempt from paying taxes, and profits were exempt from general income tax. This new Investment Law also opened up the following sectors for private investors: land reclamation, the cultivation of fallow and desert lands, tourism, housing and construction related activities. Desert reclamation and cultivation projects enjoyed a fifty-year lease on the land used for such projects. Finally, foreign capital no longer had to engage in joint ventures with Egyptian capital.

Despite the high productivity levels of public sector firms, the crisis of the 1980s provided the ideological justification for the privatization of the public sector by ascendant social forces.[6] Although actual privatization had to wait until after the signing of ERSAP in 1991, the government had to prepare a preliminary list of potential enterprises that could be privatized. The list offered by the government included hotels, small scale state industries and food processing. But it "was made clear that there was no intention of privatizing large industrial units" that "were deemed to be of strategic importance", such as the Kafr al Dawar and Mahalla al-Kubra textile plants, the Helwan iron and steel complex, or the Kima fertiliser plant (Niblock 1993: 44). The privatization of the public sector was to be implemented in the context of Public Sector Company Law 203/1991, the main goal of which was to expose public sector firms to market imperatives, thereby forcing them to operate as private firms. The implication was that public sector enterprises which had enjoyed credit from public sector commercial banks were now forced to find their own sources of credit in the market.[7]

Another important area of reform was banking and financial services. In the 1970s, Sadat's liberalization had led to the emergence of informal financial

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[6] Ayubi (1995b: 343) points out that, despite cutbacks in public investment, the public sector continued to perform effectively well into the 1980s: "In 1984/85, eighty-three profitable companies showed a combined profit of LE 268 million, while thirty-four remaining companies showed a combined loss of LE 142 million, for a net profit of LE 126 million."

[7] While Egypt's agreement with the IMF was concluded in 1998, Egypt continues to receive expertise and technical advice from the Fund. This is obvious from the large number of Egyptian-born IMF economists and technocrats who either work in the Egyptian government or set the agenda of research centres and universities in Egypt.

institutions, known as the Islamic Money Management Companies (IMMCs) – '*sharikat tawzif al-amwal al-islamiyya*'. Popular among small depositors and workers from the Gulf States, these Islamic investment companies amassed billions of pounds of savings, which were invested in various domestic and international markets.[8] By December 1986, 190 registered and 90 non-registered IMMCs existed. While the majority remained small, some grew to amass deposits of over US$10 billion with a client base of up to 500,000 (Zubaida 1990: 153-54). The IMMCs offered 25 per cent dividends, which were considered a form of profit sharing rather than interest (Sadowski 1991: 229-30).[9] This starved the major banks of savings at a time when the Egyptian state subsidized most of its imports through borrowing in a global environment of tight credit. IMMCs therefore posed a threat to the interests of both public *and* private banks.

The onset of IMF negotiations in the late 1980s put pressure on the state to reign in the IMMCs while increasing the power of the major financial institutions in the country. The official banks had formed their own powerful lobby in the late 1970s and put pressure on the government to eliminate the IMMCs.[10] Between 1985 and 1988, the government and the major banks launched a successful attack that brought down most of the IMMCs. Thus, by the second half of the 1980s, through financial restrictions and banking regulations, the government orchestrated the collapse of the IMMCs and numerous other informal moneychangers and financial outlets. With the introduction of anti-IMMC legislation in April 1988 (Law 146/1988), numerous members of the IMMCs were arrested, their operations shut down and their deposits – which stood at millions of US dollars – were transferred

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[8] Sadowski (1991: 223) notes that the while official estimates of remittances stood at US$4 billion, others have argued that remittances reached anywhere between US$12 billion and US$18 billion, which means a huge amount of savings was accessible by the informal economy which was represented by the IMMCs.

[9] Another reason the IMMCs remained popular was due to their voluntary support for charity institutions and their provision of social services. As public investment in social services shrunk throughout the 1980s, Islamic charitable associations stepped in to fill the gap. Their services included "schools, trade-skill centers, day-care programs, and health care centers and hospitals" (Sullivan 1990: 329-30). Clearly this marked a crisis of legitimacy of the state that threatened the ruling elite especially those close to the NDP.

[10] The list included "Uthman Ahmad Uthman, the richest man in the country and founder of the Suez Canal Bank; Mustafa Khalil, one of the founders of the National Democratic party and former prime minister; Ali Nagm, former director of Central Bank; and Fu'ad Sultan, long-time director of the Misr Iran Bank, later minister of tourism and architect of the government's privatization drive" (Sadowski 1991: 235).

into the official banks. As a consequence, the amount that the official banks processed on a daily basis increased dramatically from US$200,000 to US$10 million (Sadowski 1991: 237).

With their competitors destroyed the official banks emerged as the winners; by 1990, they had established a monopoly over the financial system at the expense of the IMMCs. Once the banks emerged successful in their battle with the IMMCs, they started looking at ways to maximize their profits. The banks began charging the government hefty fees for their services while providing inefficient and costly services for the public in general. This marked the beginning of a larger process of banking reform that would pick up pace after 2004 under the bank privatization program.

Another sector that became the target of liberalization was agriculture where USAID, IMF and landed interests united to put an end to Nasserist agrarian reforms. Having a major lobby group within the ruling NDP, the landed interests found an ally in Yussef Wali, the Minister of Agriculture, who believed that the liberalization of agriculture would benefit the economy as a whole.[11] However, the Ministry of Agricultural remained divided on the issue of reform, as lower echelon bureaucrats and project directors opposed Wali's proposals. The radical reform of the agricultural sector had to wait until the passing of Law 96/1992.

In spite of these sectoral reforms, it became apparent that the economic crisis, characterized by declining growth, an annual inflation rate of over 14 per cent, a balance of payments deficit, an unsustainable external debt of US$ 45 billion (1989), debt service payments (US $11 billion), and depleting foreign exchange reserves left the government with few options. The Egyptian state thus arrived at an agreement with the IMF for loans (Ikram 2006: 149).

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[11] In the course of the 1980s, USAID had established closer ties with various ministers and encouraged them to support economic liberalization and Yussef Wali was one such example. It is here that we can distinguish between those who supported IMF recommendations for a rapid reform of the system – namely the landlords and the official banks – and those who preferred a gradual transformation of the economy, namely the bureaucrats and project directors. Sullivan (1990: 321) notes that, "Various undersecretaries have large farms, are beef producers, or have stakes in the various fertilizer and seed companies. Given the low and unchanging salaries for government employees, the vast majority of these workers, including high-level officials, must have another source of income." Law 92/1996 was the outcome of these struggles.

The Rise of Neoliberalism: 1991-99

By late 1989, the Egyptian state continued to experience fiscal constraints due to its limited revenues and the rising costs of sustaining the public sector. The IMF proposed a series of substantial policy changes and institutional reforms that aimed at reducing the role of the public sector and expanding the role of the private sector. It was hoped that these reforms would stabilize the Egyptian economy and thus restore the confidence of Egypt's creditors. While Egyptian officials agreed with many of the reforms, they objected to the fast pace of IMF reforms. Egyptians remained skeptical of IMF demands for budget cuts and only a handful of the new generation of officials expressed agreement with the IMF; a large number of officials – even the liberals – were hesitant in accepting IMF demands. As the Cold War came to an end, sections of Egypt's ruling class became more closely integrated into the global economy and+ a fragile consensus around liberalization was established at the elite level.

The move towards neoliberal reforms signified a shift in the composition of the ruling class. During the 1990s, a globally oriented faction of the Egyptian propertied class organized themselves and became increasingly active in policy circles. Supported by the IMF and the World Bank, this elite sought to integrate Egypt more deeply into the global economy. They identified three areas that needed to change in order for a free market economy to succeed in the country. First, they demanded a transformation of the interventionist and redistributive role of the Nasserist state; the new neoliberal state was to be a 'facilitator' of economic growth. Next, it was argued that the rule of law was needed in order for the private sector to feel secure in its investments in the country. This entailed significant administrative reforms: an overhaul of cumbersome bureaucratic procedures, a simplification of exchange rates and taxation, and increased institutional support for the private sector in the economy. Finally, ensuring guarantees for property rights were identified as a crucial element for a successful shift to a "free market" economy. Achieving such guarantees entailed a dismantling of previous laws that shielded land and public resources from market forces.

In 1991, the government agreed to an IMF Standby Agreement which resulted in the signing of the Economic Restructuring and Structural Adjustment Program

(ERSAP henceforth). ERSAP contained six components: macro-economic stabilization, privatization, price liberalization, trade liberalization, investment-friendly policies, and a Social Fund for Development intended to create labour intensive employment and reduce the overall impact of public sector privatization and job losses. The adoption of the program represented a significant shift in the Egyptian economic policy. Richards (2001: 25) pointed out that the 1990s was no longer 'business as usual', as for the first time the Egyptian government was under pressure to carve out a place for itself in the global economy and thus a new domestic accumulation strategy was launched setting the legal context for the reform of land, finance and banking sectors. The government began liberalizing prices, interest rates and trade, reducing public spending and introducing new taxes while freezing wages. It implemented major cuts in general subsidies, introduced a new tax law, revived the stock exchange system and liberalized land rents. A significant aspect of the reform program was the passing of Law 96/1992 which liberalized the agricultural sector and marked the beginning of a systematic process of accumulation by dispossession in rural Egypt.

With disagreements amongst members of the ruling NDP over the pace and direction of economic change, the reform process remained slow in the first half of the 1990s. Subsidies were left intact in order to protect jobs and cushion the effects of low wages and a high cost of living. At the same time, the government resisted trade reform, arguing that it would hurt small firms. By the mid-1990s, the IMF's assessment of the implementation of ERSAP attacked the government's piecemeal approach to reform. This period was marked by conflicts amongst members of the NDP who wanted to protect public sector enterprises and those who wanted to speed up the process of privatizing them. The latter included the older son of Mubarak, Gamal Mubarak and his western educated, IMF and World Bank associated friends who played an important role in ensuring the adoption of a neoliberal economic model.[12]

[12] A prime example of this IMF linked elite is Yousef Boutros-Ghali. Boutros-Gali was a member of staff at the IMF in the 1980s and then IMF-resident Representative in Egypt. While at the IMF, he worked on the Latin American Debt Crisis. He was appointed governor of CBE between 1986-1993 and was a key negotiator of the IMF standby agreement of 1991. In 2004, he served as Minister of Finance until his conviction – in absentia – on corruption charges in 2011 after the fall of the Mubarak

The Egyptian government entered a number of international treaties that bound Egypt to the neoliberal model of development. Thus, in 1994, Egypt signed the Uruguay Round of the General Agreement on Tariffs and Trade (GATT henceforth) and joined the newly formed World Trade Organization (WTO henceforth). Membership of the WTO signified a serious commitment on Egypt's part towards structural adjustment. During this same period of time, Egypt signed the Trade-Related Aspects of Intellectual Property Rights (TRIPS henceforth) accord which bound Egypt to international rules to protect property rights. Egypt also joined the Euro-Mediterranean Partnership (EMP henceforth) which required institutional and policy reforms to fulfill the terms of EMP membership. In accordance with the terms of these agreements, the government increased consumption taxes, electricity tariffs for select groups, and raised the price of gasoline and fuel. It also abolished guaranteed employment to university graduates and reduced the number of subsidized goods, something that began under Sadat, but did not happen in full until the 1990s.

Reforms in the second half of the 1990s reflected these deep divisions. On the one hand, some of the reforms facilitated the push towards privatization and deregulation of the economy; other reforms however, impeded or in some circumstances reversed the changes that had already been implemented. This divisive phase was particularly evident under Prime Minister Kamal El Ganzouri (January 1996-October 1999).[13] Pressured by Egypt's pre-existing international agreements and pro-free market members of the NDP within the government, Ganzouri's government passed 36 new laws intended to promote foreign investment and economic liberalization. These laws encouraged 'Build-Operate-Transfer' (BOT) projects, foreign owned banks and real estate as well as the promotion of exports. During his first year in office, Ganzouri's cabinet passed Law 4/1996 which ended rent controls and rendered urban tenants market dependent. The Law aimed to expand a private housing market which favoured landlords and private investors.

In a positive gesture towards investors, the government introduced Investment Law 8/1997 in the hope of encouraging a larger inflow of foreign investments. The

regime. In 2008, he sat on the IMF's policy setting committee. Another notable individual linked to the World Bank was Mahmoud Mohieldin, who launched the Ministry of Investment in Egypt after 2000.

[13] Prior to his term as Prime Minister, Ganzouri served as Deputy Prime Minister and Minister of Planning under the government led by economist Atef Sedki (1986-96).

Law equalized the treatment of domestic and foreign investors, created a five year tax holiday for some sectors, extended complete foreign ownership of local projects, and reduced the number of regulations on foreign investment. The Law also provided permanent exemption from taxes, duties and customs in 'free zones'. Although the idea of Free Trade and Industrial Zones were launched by Sadat, the comprehensive set of incentives offered to the private sector in the 1990s qualitatively set apart the Free Trade Zones of Mubarak from those of the 1970s. Investors in the zones were offered full exemptions from corporate tax throughout the life of the project as well as cheap or free land to start their projects.[14] Other incentives ranged from land reclamation in the desert, to industry and mining, air transportation and tourism.[15] Key beneficiaries of these reforms were the construction, real estate and tourism industries. The passing of Law 96/1992 had made state lands easily obtainable by private investors through various ministries under questionable terms and at extremely low prices (US$1 per square meter).[16] Under this system, over 40 million square kilometres of land was sold to the private sector in 21 tourist zones across the country between 1991 and 1995 (Moore 1997: 129). As a result, development projects for tourism flourished. For instance, in 1995, the Egyptian Company for Tourist Resorts was launched in order to develop the coast of the Red Sea. Another major tourist development by El Montaza for Tourism and Investment Company which covered 3,360 hectares and cost LE4 billion was being developed in the North coast (Moore 1997). The Amer Group was engaged in tourism development in the North Coast in and around Alexandria in an attempt to transform it along the lines of Sharm el Sheikh tourist resort.

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[14] By 1996, 1,814 factories employing 192,000 people were active in these cities and there were plans for 1,175 more factories in the future (Moore 1997: 156). It should be noted that in competing with places such as Israel, which attracted most of the FDI in the region due to skilled nature of its work force, Egypt had regionally positioned itself as a source of low wages and lax labour laws and regulations. Multinational corporations in Egypt still remained limited in the number of jobs they created. For instance Heinz, 3M, Suzuki and General Motors combined had 485 factories employing a total of 63,000 workers, which was dismal given the millions of workers who are unemployed or underemployed (Moore 1997: 155-57).

[15] The total revenues of the state were radically reduced due to introduction of this law. The government's expenditures on research and development remained at the dismal 0.2 per cent compared to 0.7 per cent in Turkey (Said Aly 1994: 188). But this was overshadowed by the larger reality of radically reduced public investment levels for the public sector since the mid-1980s.

[16] These include the Ministry of Defense, the Egyptian State Railways, the Ministry of Housing and New Communities, the Ministry of Agriculture and Land Reclamation, the Ministry of Religious Endowments (awqaaf), and public insurance companies.

A key private investment project was the Southern Valley 'Toshka' Project – inaugurated in January 1997. Toshka, once fully operational, was expected to resolve the problems of food scarcity and urban overcrowding. It was intended to create an alternate delta parallel to the Nile Valley and with the capacity to settle six million people while providing 800,000 to 2.2 million feddans of land for cultivation. The infrastructure for the project was provided by the government while investment came from a Saudi Prince Talal who purchased 100,000 feddans at LE99 per feddan (EIU 1997/98: 50).[17]

Despite the launch of these projects in the 1990s, the Ganzouri government came under criticism by proponents of a faster pace of reform within the NDP. Among this group, Ganzouri was seen as an old technocrat who continued to revive the statist model through unacceptable means.[18] Ganzouri was also accused by the NDP leadership of bailing out loss making state-owned enterprises during 1997/98 in the amount of LE 5.5 billion without the advice of the Ministry of Finance or even the cabinet. His cancellation of the Egyptian National Railway Authority's debt of LE 1.4 billion also came under officials' criticism (Essam El Din 2000). To boost the GDP levels, the Ganzouri government relied on mega projects such as Toshka, the Gulf of Suez, East of Port Said, North Sinai, Aswan and second Cairo underground line that were intended to create the needed jobs, reduce inflation and keep the budget deficit at one per cent. However, Ganzouri was criticized by his pro-free market opponents for engaging in costly projects. He was seen as influencing Central Bank decisions according to the needs of state sector enterprises, wages and prices. He was especially vehemently opposed by Gamal Mubarak and other neoliberal ministers in his cabinet and in the Shura Council.

These intra-NDP conflicts notwithstanding, in the 1990s legislation was developed to facilitate the development of banking, capital markets and private insurance companies. Since its nationalization, the insurance sector remained part of the public sector. It was only in 1998 that legislation allowed the privatization of public sector insurance companies and enabled the transfer of ownership of these

[17] In May 2011, the Egyptian government annulled the deal with Prince Talal, taking back 75,000 feddans of land.
[18] He supported state enterprises and on a number of occasions bailed out state enterprises by bypassing parliamentary procedures and directly seeking funds from public sector banks.

companies to foreigners. All of these changes required a seismic shift in the legal system (which had maintained its fundamental character since Nasser's rule).

The reform process began to slow down in the late 1990s in the context of an economic downturn and an upsurge in popular unrest. Given the low levels of productive private sector investment, the increasingly export-oriented economy was not as dynamic as proponents of the neo-liberal model had hoped. While in 1998, the IMF was praising the reform process as a 'remarkable success story', macro-economic indicators told a different story, and in fact, Egypt was on the verge of an economic downturn. By 1998, manufacturing goods accounted for only 15 per cent of total exports, while energy exports accounted for double that figure. At the same time, Egyptian imports far outpaced exports: Egyptian merchandise exports amounted US$3.2 billion while imports from the U. S. amounted to US$16.5 billion, comprised mainly of food imports and small machine parts (Kheir El-Din 2001).

Ganzouri's term in office was cut short in October of 1999. Despite a spate of free market policies, his government retained certain populist policies, a result of which granted him the nickname, 'minister of the poor'. This reputation was due to a decline in poverty rates, which had decreased from 25 per cent to 21 per cent under him (Abdel Razek 2011). Other pro-poor policies included the continuation of subsidies, education and public sector salaries were increased to keep up with inflation; however, the latter decision was contested at the Shura Council which supported freezing wages.[19] During the three years of his first term as PM, Ganzouri maintained control over various committees in the cabinet. Public sectors continued to be created at the rate of 150,000 per year although public sector enterprises that were slated for privatization lost workers. He was left untainted by corruption which had involved various high profile members of the NDP, such as Yousef Boutros-Ghali. Ganzouri was critical of the privatization program, as he saw it as enriching individuals close to the regime.

Despite all of the incentives provided by the government during the 1990s, an assessment of the performance of the private sector indicates lacklustre outcomes. Rutherford (2008: 204) notes that, over the course of the first half of the 1990s,

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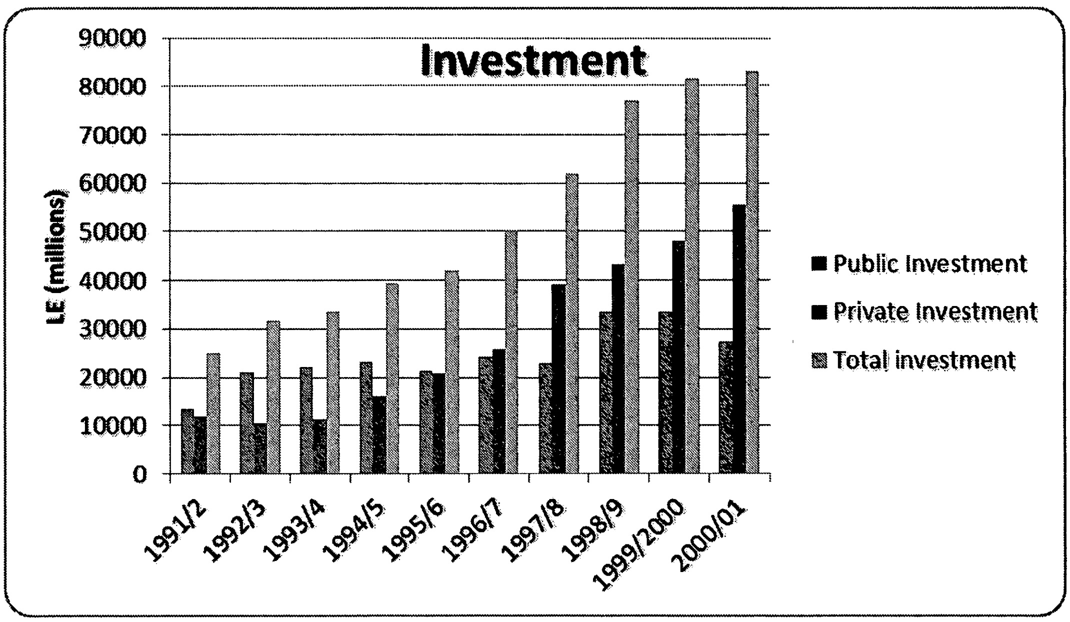
[19] Ganzouri balanced the budget by bringing down the deficit, kept inflation at 3.6 per cent and guarded the exchange rate (US $1=LE 3.47 in the late 1990s) (Abdel Razek 2011).

"private-sector investment stayed virtually unchanged – it reached only 15.7 per cent of GDP by 1997…The government had cut its total investment in the economy from 12 per cent of GDP in 1987 to 6 per cent in 1994 – in nominal terms – this was a decline of roughly 5.6 billion LE."

Figure 7.1 Investment Levels, 1991-2001



Source: Egyptian Ministry of Planning, 1991-2001.

Given the government's own predictions that levels of private sector investment would reach 45 per cent of GDP by 1997, this represented a significant shortcoming. On top of this, much of the FDI that was coming into the country took the form of portfolio investment in capital markets rather than productive investment in manufacturing. It therefore remained unreliable as a potential source for long-term economic development and job creation. As well, most of the capital invested came from wealthy Egyptian expats who had left Egypt in the 1960s rather than foreign investors. This clearly demonstrated a lack of trust among foreign investors. Nonetheless, the support from Egyptian capital at home and abroad seemed to be sufficient enough at this point to continue the push towards liberalization forward.

Portfolio investment in real estate and property had created a property bubble throughout the mid-1990s that burst in 1999, affecting both the real estate and construction sectors. The construction industry experienced an unprecedented crisis of realization linked to the speculative building frenzy in the luxury housing market that took off in the earlier part of the decade.[20] Close to LE22 billion belonging to public sector banks were trapped by these bad debts. By 1997 private sector debts had reached LE 95.2 billion, and by 1999 they accounted for 60.9 per cent of total domestic debt (Wahish 2000).[21] According to the Egyptian Federation of Construction and Building Contractors, among 28,000 contractors, almost 50 per cent of work stopped and most companies cancelled their registration.[22]

The effect of the crisis on the construction industry can be seen in the example of Arab Contractors, a construction firm that played a major part in the construction of a number of major national projects, such as the Aswan High Dam, the Cairo underground, the foreign ministry building, the Ahmed Hamdi tunnel below the Suez Canal and Cairo's network of fly-overs. In 1998, the Company's turnover reached LE5 billion linked to infrastructure and other government projects (Moore 1997: 93). The company employed almost 70,000 people and its work volume in 1997-1998 was LE 4.7 billion (Farah 1999). By 1999, the company's portfolio spanned more than 30 countries, including Algeria, Bosnia, Kazakhstan, Libya, Poland, Saudi Arabia, the United Arab Emirates and Yemen. In 2000, after twenty years of accumulating debts, the company faced a major financial crisis. The state owed LE3.5 billion to the company and the company owed loans to banks which incurred the company annual interest charges of LE480 million (Farah 1999). Private projects such as Dreamland and Beverly Hills had also come to a halt as the market for luxury housing became too saturated. Indeed, gated communities and vacant luxury villas came to symbolize the post 2000 financial crisis in Egypt. The depreciation of speculative investments affected both public banks and private developers.

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[20] See: The Egyptian Junior Business Association, 'Report on Nation Business Agenda, 2005-2006,': http://ejb.org.eg/publication/Englishversion.pdf (accessed January 18, 2008).
[21] In 1996, the industry made a short term rebound due to the privatization of the Heliopolis Housing and Urbanization Company.
[22] *Businesstodayegypt*, No. 1448. Bigger companies like Orascom conglomerate did not feel the pressure of the crisis to the same extent since they produced their own construction materials and thus did not rely on the market for materials.

Despite its promises to reduce unemployment, privatization did not produce sufficient jobs to absorb the new entrants into the labour market. During the 1990s, close to 180,000 workers were laid off in the areas of financial services and administration alone, while government estimates suggest that up to 300,000 workers were laid off in public enterprises (Khattab 1999).[23] Between 1990 and 1996, total public sector employment dropped from 1.2 million to 950,000 (El-Ehwany and Metwally 2001: 5-7). During the same period, the labour market expanded as 500,000 new job seekers entered the market (Richards 2001: 24). The private sector's reliance on capital-intensive techniques in manufacturing and agriculture meant that it failed to absorb much of the surplus labour reserves. Between 1986 and 1996, private sector employment growth remained extremely low, at 3.2 per cent; and the jobs created tended to be based on insecure, short-term contracts (El-Ehwany and Metwally 2001).[24] At the same time, the government neglected to establish re-training facilities for workers who were laid-off. By 2000, unemployment was hitting 15-29 year olds the hardest, and the unofficial unemployment rate topped 25-30 per cent (Farah 2009: 45). Unemployment was also higher in rural Egypt than it was in urban Egypt due to the massive privatization of land.[25] The commodification of land through Law 96 of 1992 led to the immisseration of the peasantry and tenant farmers.

[23] The laid off employees were offered the option of buying shares in the privatized companies. There was also a possibility of accepting early retirement in return for a termination of bonus of between LE15-35000 depending on the number of years of employment. Close to 60,000 workers accepted early employment while 5 out of 72 companies were sold to their employees (Khattab 1999).

[24] Government employment between 1976-86 stood at 3.6 per cent and from 1986-96 remained at 6.5 per cent. The relative employment share of the government in comparison to the private and informal sectors was 17.7 per cent in 1976 and 28 per cent in 1996. Within the government sector, most employment was generated in social services, which reached 20 per cent in 1970 and 25 per cent between 1987/8-1996/97 (El Ehwany and Metwally 2001: 6). Other problems with the private sector included its gender bias. The private non-agriculture sector mainly employed male workers and thus the female workers laid off in the process of privatization were discriminated against. Ikram (2006) underlines four factors that explain the prejudice of the private sector towards female workers in Egypt. First, the absence of labour intensive industries makes the hiring of unskilled female labourers unprofitable. Second, Egyptian labour laws are seen as constricting the ability of employers who would be required to pay generous maternity leave and childcare alongside other benefits. Third, women are seen as lacking commitment to their jobs and thus they make for unreliable and undisciplined workers. Finally, existing social norms prevent a flexible labour market for women and thus casual labour and self-employment are not feasible in Egyptian society.

[25] Unemployment in Egypt has multiple dimensions. In urban Egypt, unemployed is concentrated among 15-29 year olds, most of whom are recent university graduates. In the rural areas, rising unemployment mostly affects women (Ikram 2006: 246).

Market based rents determined who could keep their plots of land resulting in the loss of land by over a million small farmers (Bush 2002).

As both the private sector and the government failed to meet the needs of the labour market, the informal economy continued to absorb most of the workers. The informal economy is comprised of small to medium sized family businesses employing less than 10 workers in labour intensive forms of manufacturing (Algan 2003: 171-2).[26] Between 1984 and 1991, it is estimated that 24 per cent of the non-agricultural workforce was employed in the informal sector (Ikram 2006: 240). By 2003, this number increased to approximately 40-45 per cent of the non-agricultural workforce (AHDR 2009), and 60 per cent of the total workforce in 2006 (Millennium Development Goals Report 2010).

While privatization failed to increase employment, what it *did* increase was corruption. Rather than increase efficiency, transparency or accountability, privatization intensified corruption, and increased the market power of the few at the expense of the many. Richards (2001) and Sadowski (1991) characterize the relationship between the state and the private sector in Egypt during the 1990s as 'cronyism', whereby powerful interests in the state and economy unite to maximize their share of resources through control of the market. For instance, Richards (2001: 24-25) writes, "A symbiosis between government regulators and speculative entrepreneurs has developed; 'insider trading' is rampant, particularly in the construction sector, where public land may be sold very cheaply to a friend who then resells it at its market value." One high profile case of corruption includes Ahmed Ezz, the iron and steel tycoon who, as the Chairman of the Budget Committee and the NDP's Secretary for Organizational Affairs, allegedly blocked the passage of anti-trust laws in 2008 that could have damaged his monopolistic hold on the iron and steel markets. Farah (2009: 81) elaborates on the nature of privatization:

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[26] While the informal economy remains the dominant employer, the problem that economists have pointed out is the inability of the state to measure and regulate the flows that are generated in this sector. More importantly, most of the activities of the informal economy are self-financed and thus remain outside the sphere of influence of powerful financial actors. "According to CAPMAS statistics, 96 per cent [of activities in the informal sector] are mostly self-financed small enterprises, while only 0.7 per cent rely on loans" (Algan 2003: 172). See Sadowski (1991) about the role of the informal economy in the 1980s in Egypt.

> Privatization…led to collusion between state bureaucrats and businessmen for the sale of public sector enterprises at prices much lower than the market...Most companies were sold to investors through loans provided by state banks. In some instances, investors bought state-companies with loans backed by false guarantees and retained ownership of the companies even after they defaulted on the loans.

The overall outcome of the reform process was an aggregate upward transfer of wealth in Egyptian society as the burden of economic reforms fell unevenly on the poor and the unemployed. Between 1980-1997, the "share of the population living in poverty in urban Egypt increased from 18.2 to 22.5 per cent, and the share of the population living in poverty in rural Egypt rose from 16.1 to 23.3 per cent" (Adams Jr. 2000: 262). In absolute terms, the number of poor increased from 27.8 million in 1996 to 32.7 million in 2000 (El Ghonemy 2003: 5). Economic restructuring introduced a trend towards mergers and monopolies, flexible labour laws and the erosion of family owned businesses, which were seen as obstacles for launching economies of scale.

In this context, a wave of industrial unrest broke out in the late 1990s, challenging the legitimacy of the neoliberal model and slowing down the process of reform. These strikes can be traced back to the mid-1990s as the impact of neoliberal reforms was beginning to set in. For example, 7,000 workers at the Kafr al-Dawwar Spinning and Weaving Company were locked out by state security forces in September 1994. Tensions between workers and security forces escalated resulting in a violent confrontation leading to the death of 4 workers, the wounding of 120 and the arrest of 90 more. Strikes continued throughout the mid-1990s as privatization accelerated the pace of layoffs. In 1998, major strikes began to break out at the Misr Helwan Spinning and Weaving factory after the dismissal of 2,800 workers. From 1998 to 2004, there were over 1,000 workers' collective actions. The upsurge in industrial action would signify a trend that would only intensify as privatizations accelerated after 2004, and to which we will return in the next section.

In rural Egypt, peasants faced attacks by landlords and the state security forces that forced peasants to leave their land and houses after land Law 96/1992 took effect in 1997. Tenancy agreements were increasingly short-term and rents were left to the market; as a result rents increased 15-17 times in comparison to their pre-1985 values. In 1999 and 2000, average rents per feddan ranged between LE1000 and LE2000 leading to a loss of land by small farmers.

From Crisis to Consolidation and back to Crisis, 2000-2011

The initial response to the crisis of 1999 was to slow down the reform process. Despite adopting Law 203 in 1991, the government did not privatize the number of firms that were slated for privatization, and by 1998, 113 of 314 enterprises were only partially privatized (Adams Jr. 2000: 269). The privatization of insurance companies had not yet begun, a unified law on investments had not been implemented, the cotton industry continued to remain under public sector control, and finally, civil service reform and bank privatizations were put on hold. However, the appointment of Atef Ebeid (1999-2004), as Prime Minister signalled the success of pro-free market members of the NDP.[27] Prior to his post, Ebeid had served as Minister of Public Business Sector under Ganzouri and had played a key role in implementing the privatization program as well as the ERSAP program. He was instrumental in preparing public sector enterprises for privatization, negotiating with the IMF and streamlining the procedures for private sector enterprise.

Despite the crisis in 2000, old alliances between state officials and business people were reconstituted and the neoliberal model was salvaged. The crisis was resolved through further privatization of public sector companies which picked up pace after 2000 and especially after 2004. A report prepared by the USAID indicated 134 majority privatization and 61 partial privatization cases between 1991 and 2003, worth over LE billion 12 of public sector enterprises linked to textile, construction and agriculture (USAID 2003: 25-27). Under Law 203, privatization plans for the public sector portion of public-private joint ventures in food, metallurgical, transport, chemical, trade and textiles were under way in 2003-2004 (USAID 2003).

[27] Atef Ebeid was an economist and after his term as PM he headed the Arab International Bank (an investment bank) between 2005-11. While Ganzouri kept tight control over 17 high level councils and associations, under Ebeid's term, these committees were accorded freedom of decision, signalling a scaling down of Prime Ministerial powers.

During Ebeid's term of office, the Ministry of Economy was dismantled in 2001 and the Central Bank of Egypt (CBE from here onwards) was granted autonomy from ministerial oversight. This resulted in the transfer of monetary policy to the CBE and shielding it from political contestation. As discussed in previous chapters, the Egyptian banking sector had been nationalized under Nasser resulting in the creation of four public sector banks (National Bank of Egypt – NBE from here onward – Banque Misr, Banque du Caire and Bank of Alexandria). Prior to the 1990s, the CBE had acted as an administrator in the banking sector under the umbrella of the government. Under Sadat, infitah resulted in allowing joint venture banks with 51 per cent public sector ownership. By the 1980s, the public sector banks were engulfed with non-performing loans extended to public sector enterprises. After eliminating the IMMCs in the late 1980s, Mubarak's regime liberalized the banking system. This entailed offering services to foreign investors and allowing banks to set their own interest rates.

As part of the financial sector reform under terms of ERSAP, the reform of the banking sector picked up pace after 2000.[28] The goal of reform was to reduce the role of public sector banks and increase the role of the private sector in banking. To achieve this, public sector banks were restructured and their shares in joint venture banks were reduced. By the end of 2000, the share of public sector banks was above 20 per cent in 8 out of a total of 23 joint venture banks. In 2000, public sector banks were mandated to divest their shares in joint venture banks keeping their maximum share at 20 per cent (El Shazly 2001). The government also announced its plans to privatize four public sector commercial banks. Deregulation in the banking sector allowed the entry of private sector banks into the Egyptian market and foreign partners were allowed majority shares in joint venture banks. The reforms increased the private sector's access to credit in Egypt whereby the total share of domestic credit provided to the private sector by the banking sector increased from 29 per cent in 1990 to 54 per cent in 2003 (Roll 2010: 353).

[28] In 1993, fifteen small regional banks were merged into a single institution – the National Bank for Development. In 1999, two specialized real estate banks, Credit Foncier Egyptien and Arab Land Bank, merged into Egyptian Arab Real Estate Bank.

However, the overall reform of the financial sector lagged behind: more than half of the 35 joint venture banks continued to remain majority owned by the public sector and none of the four public sector banks had been privatized by 2003 (Roll 2010). To accelerate the reform of the sector, in July 2003 the government announced a new banking law which aimed to consolidate the industry by reducing the number of banks, privatizing the remaining public –owned joint venture banks and the public sector banks while giving the CBE greater supervisory role in the financial sector. As a gesture of his support for promoting private investors, Ebeid facilitated the development of the construction and tourism industries in conjunction with Gulf capital through privatization of state controlled hotel and tourism sectors (Andersen 2004). However, despite his policy statements and unwavering support for opening up the Egyptian economy, Ebeid's record of policy achievement remained dismal. Ebeid came under criticism by various members of the government including some of the neoliberal minded members who thought he was promising too much and not showing much in return. He was also criticized for failed promises of job creation in the private sector (Essam El Din 2003). Deeper financial sector liberalization had to wait until after Ebeid's departure in 2004.

By 2004, under the leadership of Prime Minister Ahmed Nazif, a united front had been formed in directing economic policy.[29] Nazif appointed reformist technocrats with business backgrounds and an ideological orientation in favour of a free market economy in order to carry out his 'New Economic Initiative' agenda.[30] The renewed commitment to neoliberal reforms was elaborated in a document titled, '*Egypt…Crossing Path to Modernization*' (2005) (NBE 2005: 81-86). The central concern of government policy laid out in this document was to establish public-

[29] The 2003/2004 Report of the CBE is testament to the close observance of policy demands of the IMF by the government of Egypt. The report documents the further encouragement of the private sector through relaxation of bank credit as well as a whole host of reforms that facilitated accumulation strategies of the private sector, especially in the tourism and land development sectors (CBE 2003/2004).

[30] It is important to note that the latter part of 2004 also coincided with the publication of the *National Business Agenda* (NBA) 2005-2006 by the Egyptian Junior Business Association. The NBA represented a clear formulation of economic policy in the interest of economic actors who had come to dominate the state. The main goal of the NBA was to achieve higher business standards and make the state more effective in facilitating business interests nationally, regionally and globally. The document is also important in that it identifies different economic sectors in terms of their contribution to Egyptian GDP and the construction industry finds itself at the top of the list in terms of its significance in the Egyptian economy (EJBA 2005: 30).

private joint ventures sectors in order to respond to the increasing demand for jobs, and to "restructure the banking sector, amend customs tariffs, reduce taxes and boost investments" (NBE 2005: 97).

Within the reformed NDP, businessmen replaced bureaucrats and engineers who had traditionally led the public sector. Businessmen and entrepreneurs doubled their seats in the parliament in the 2000 elections. Almost all of the businessmen in the legislature were members of the NDP (30 per cent of seats in the parliament). This was in line with the state's new development strategy, which relied on the private sector. The Policies Committee, a secretive and powerful organ of the ruling National Democratic Party was headed by Gamal Mubarak ,who consulted neoliberal minded economists and experts such as Rashid Ahmed Rashid, Boutros-Ghali (a long time Minister of the Economy and eventually Minister of Finance under Nazif), and Mohieldin, the Minister of Investment.[31] A reformed ruling party became the channel for these neoliberal forces. During the 1990s, business interests had established institutional support by joining the ruling NDP, dominating media outlets, and influencing intellectual forums. Electoral politics in Egypt was transformed as millions were spent on campaigns by various businessmen. Between 1990 and 1995, eight businessmen were in the Parliament; in 1995-2000, their number had increased to 37; and between 2000 and 2005 their number more than doubled to 84. By 2005 parliamentary elections, 150 seats were occupied by businessmen, including some of the crucial positions such as chairs of the Parliamentary Committees (El-Din 2008b). Businessmen were well represented in the Legislative Councils, the People's Assembly and the Shura Councils. This marked a radical shift from the time when bureaucrats and experts had dominated various state apparatuses from the post-WWII period up until the early 1990s.[32]

The ECES became the forum where supporters of neoliberal reforms gathered in the post 2004 period. Beside Gamal Mubarak, economists like Mohamed

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[31] Menza's piece appeared in the Economic and Business History Research Centre (EBHRC) which was created in 2004 in light of the dramatic changes in the state and the economy. Farah (2009: 82) notes: "These ministers were handed portfolios corresponding to their sphere of expertise, so, for example, the Minister of Transportation owns a car company in the private sector and the Minister of Health comes from one of the most prestigious private hospitals in Egypt."

[32] Businessmen-turned-politicians facilitated the sale of public sector enterprises that fell within their portfolio. For instance, Salah Hasaballah, the Minister of Housing and Public Utilities (1994-95), played an instrumental role in selling public sector hotels at below market value to the private sector.

Mohieldin who was a senior economist at the ECES became the chairman of the NDP's economic committee and later Minister of Investment. Mohieldin became the "link between private sector, ruling party and government" (Roll 2010: 365). His portfolio included investment policy, management of state-owned assets and financial services such as insurance and mortgage finance. He was later appointed as Egypt's representative at the World Bank and held top posts at the African Development Bank and Islamic Development Bank. Together with Boutros Ghali, the Minister of Finance, Moheildin oversaw this next phase of financial reforms. Other important adjustments that facilitated the reform process included stacking boardrooms of public and private financial institutions with supporters of Gamal Mubarak and his vision of reform (Roll 2010).

Members of the Nazif government included one of the two Mansour and Maghraby Investment Development (MMID henceforth) owners, Ahmed El-Maghraby (Minister of Tourism and later Minister of Housing), Rashid Mohammed Rashid (Minister of Industry) and the second MMID owner, Mohamed Mansour (Minister of Transport). All three ministers played an important role in the reforms that boosted the financial profile of EFG-Hermes which "profited to a great extent from the revitalization of economic reforms of 2004… At the end of 2005, the investment bank's share price was nearly 20 times higher than it had been in mid-2004. Respectively, the value of shares controlled by MMID increased from LE 44 m to more than LE 669 m, despite a reduction of MMID shares during this period" (Roll 2010: 361). These mechanisms of financial sector reform played a crucial role in the concentration of capital in the hands of powerful political and economic elite.

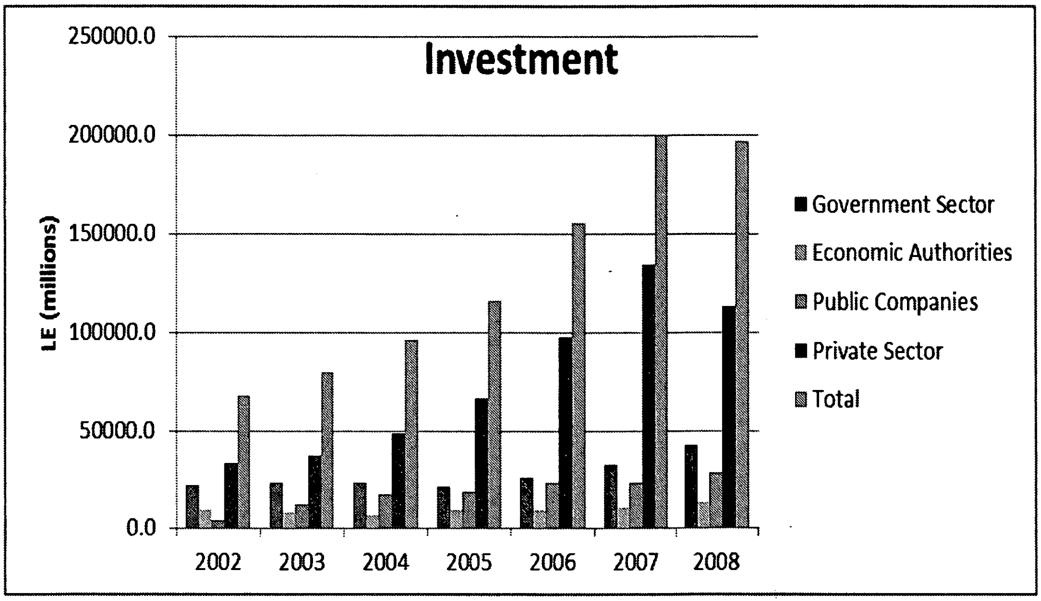
The government that took power in 2004 included an emboldened 'business community', wedded to neoliberal orthodoxy, who were frustrated by the slow pace of the reform process. To redress their concerns, a second phase of more vigorous financial sector reform was launched in 2004. Crucial in this phase of reform was the role of Mubarak's son Gamal – a London banker – who personified the convergence of interests between the emerging faction of neoliberal minded businessmen and the NDP. Gamal was appointed to the NDP's governing body in 2000 and quickly moved up the ladder to become influential in reforming the party. He was appointed the chair of Policies Secretariat which gave him the power to reform the regime through the ruling party. He was influential in the creation of the ECES, a neoliberal think tank whose members later filled the cabinet under Nazif. In fact, he facilitated collaboration and cooperation among the major business associations such as American Chamber of Commerce (AMCHAM), the Egyptian Businessmen's Association (EBA), the NDP and the ECES, which proved crucial in pushing through serious reforms in the course of the 2000s.

More importantly, Gamal was instrumental in reforming the NDP through a 'peaceful coup' in order to make more room for business voices.[33] The reform of the NDP was launched under the banner of a 'New Thinking' which was articulated by neoliberal ideologues from within the ECES during the 1990s. This 'new thinking' proposed the application of the free market principles in every aspect of the economy and society.[34] The reformed NDP became a strong supporter of the privatization of public sector firms, and formerly strategic sectors of the economy, such as the pharmaceutical sector, utilities, health and education. Other targets included rationalizing subsidies and replacing them with job training programs, liberalizing and facilitating trade by providing the necessary infrastructure. Most of these proposals found their way into the main policy documents produced by the NDP under the Nazif government.

Figure 7.2 Investment Levels, 2002-08

[33] An example is Dr. Badraway (Hossam), the owner and manager of Nile Badraway, one of Cairo's biggest and best equipped private hospitals. Badraway was appointed chairman of the NDP's business secretariat. He was also chairman of parliament's Education Committee and a proponent of privatization of the health sector. Other business members at the top of the NDP include Ahmed Ezz, appointed as the chairman of the NDP's secretariat for membership issues, and chairman of parliament's budget and planning committee. Ezz was also a strong supporter of phasing out state subsidies and privatizing public services (Essam El Din 2002). Other business actors that were involved at the level of decision making in the NDP included Rashid Ahmed Rashid who was Minister of Industry and also sat on the board of Unilever. Ahmed El Maghraby, Minister of Tourism, was an executive of French tourism giant Accor.

[34] The drive for competitiveness masked corruption by redefining embezzlement under the guise of entrepreneurial initiative and the 'free market'. This marked the beginning of a new form of patronage that was masked in the language of the market economy.



Source: Ministry of State for Economic Development.

Other services offered to capital included a reduction of the costs of transactions and a shortening of the time required to issue licenses. Tax reductions – both corporate and individual – were implemented as further incentives for investors. The government further absolved itself of providing services or controlling production, leaving both fields to the private sector. To do all this, the Nazif government established a new Ministry of Investment with the goal of facilitating investment in Egypt. The Ministry played a crucial role in privatizing public sector firms and deregulating public services such as transport, health, and education and opening these sectors to private interests. A further goal was to turn Egypt into an exporter of services rather than goods, thus serving as a contracting agency for global firms and corporations.[35] With this goal in mind, the government aimed to enhance the competitiveness of the workforce through skills training and education.[36]

[35] Despite a long series of legislation to promote an export-oriented economy and increase employment, by 2002, Egyptian exports remained at 16.2 per cent of GDP, down from 27 per cent of GDP in 1982 (NBE 2003). The agricultural sector is said to have succeeded in increasing its exports in the period between 2001-03, targeting markets in the EU and Asia. In terms of manufactured goods, this is clearly a failure of the government's policy to promote exports through the establishment of free trade zones and incentives offered to the private sector. This shift to an emphasis on services may signify recognition of this failure, and represents a change in the nature of the interests of the dominant fraction of the capitalist class in Egypt.

[36] According to the NBE, the Egyptian labour force's low productivity levels relative to other states in the region (although unit labour costs remain very low) reduces the competiveness of Egyptian business (NBE 2005: 15).

With an economic policy aimed at attracting foreign investment, the government adopted the Investment Guarantees and Incentives Law 13/2004, which treated foreign and Egyptian investors as equal. Other reforms included cuts in customs tariffs, the removal of imposed restrictions on imports and the opening up of new areas for investment such as infrastructure projects (railroads and telecommunications), real estate and utilities. The General Authority for Investment and Free Zones (GAFI) shortened the time required to start up a new company to seven days. Other institutional reforms in the interest of encouraging private sector activity in the economy included: establishing a commercial court to resolve business disputes more quickly; promulgating an anti-trust law; and adopting a competition law aimed at preventing monopolies and unfair takeovers as public sector firms were being privatized. Thus, Law 3/2005 on the Protection of Competition and Prevention of Monopolistic Practices was adopted. The government also simplified registration of property to make the real estate market appealing to investors. Finally, the reform of the bureaucracy extended benefits to the private sector either through the creation of parallel institutions that sped up business procedures or by cutting the 'red tape' of existing institutions. Other reforms included legislative reforms and administrative reforms with the goal of cutting costs and speeding up business transactions.

Financial sector reforms picked up pace in 2004. The Ministry of Investment was assigned the task of accelerating the privatization process which had stalled in the latter part of the 1990s. Within an initial ten year period lasting between 1993 and 2003, 197 state owned enterprises had been privatized. By the time Nazif took power, there still remained 172 state owned enterprises. Privatization of the latter became the central plank of Nazif's economic development policy. Thus, under Nazif's government enterprises that had previously remained outside the purview of privatization, such as Telecom Egypt and the Bank of Alexandria, were put on the block to be privatized. [37] During the first two years of his term in office (July 2004 and March 2006), 80 companies were sold off (Farah 2009: 45-50).[38] As Rutherford (2008: 223-24) indicated:

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[37] At least five public sector tourism companies and seven housing companies were privatized (USAID 2003).

[38] The four state owned insurance companies were next on the block slated for privatization. Three out of four of these companies controlled 75 per cent of all investment in the insurance sector, most of

> In the year prior to Nazif assuming power [2003], Egypt privatized nine firms with a total value of $17.5 million. In 2005-2006, the state sold fifty-nine firms worth $2.6 billion. It also announced plans to sell another forty-five firms, as well as its share of an additional fifty-eight joint ventures. The list of firms on the block included some of the state's most prosperous enterprises.

This wave of privatization was intended to raise revenues needed to pay off part of the domestic debt accumulated in the speculative building frenzy of the latter half of the 1990s. Farah (2009: 50) bluntly stated that: "The program under the Nazif government, while accelerating the process of privatization, [was] in essence subsidizing the private sector at the expense of the nation as a whole."

The construction, real estate and tourism industries all had strong ties to the emerging neoliberal faction within the NDP. A primary example was Tarek Talat Mustafa, of the Talat Mustafa Group (TMG henceforth), who played an important role in the NDP's Policies Committee. Over the course of the 1990s, TMG landholdings had expanded to 50 million square metres, and by 2008, its profits had reached LE875 million. TMG was responsible for the development of resorts and hotels under the Four Seasons management group. The company's board of directors included former CBE experts as well as members of the Bin Laden family of Saudi Arabia.

Not surprisingly, one of the main beneficiaries of privatization was the construction industry. In 1999, the Beni Suef Cement Company was privatized. By 2003, 68 per cent of local cement production was dominated by the private sector and private sector control of the construction industry in general increased by 30 per cent (AMCHAM 2003). During the same period, an additional 198 construction companies were established with a total investment of LE 659.5 million (Cairo Investment Forum 2007).[39] According to the Oxford Business Group (OBG) 2010

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which included real estate assets in areas where the value of land had soared. The government hoped that by privatizing these companies they would attract investors to the market. See: Abdel Razek (2005: 25-31).

[39] In 2000-2001, the construction sector employed 1.5 million workers and contributed 4.7 per cent (LE16.56 bn) to the GDP (AMCHAM 2003). In 2000, the sector ranked 36th in the global construction

report, the construction industry grew while economic growth declined. On the Cairo Stock Exchange, the top three sectors of the economy included financial services (137 companies), construction and public works (123 companies), and construction materials (52), cement (12); housing (98) companies, followed by commerce (90) (Vignal and Denis 2006: 108).

Other primary beneficiaries included the real estate and tourism sectors. After 2000, a number of major luxury property developers from the Gulf entered the Egyptian real estate market. The prospects of cheap land and flexible labour laws with an unrestricted international market for potential luxury home buyers, a number of major projects were launched. For instance, an important Dubai company, DAMAC Properties, one of Middle East's largest luxury property developers, made its debut in the Egyptian market in 2006, with a deal to develop a 320 million square metre tourism project in Gamsha Bay, 60 kilometres north of Hurghada. As the Damac's website stated, the residences built in Gamsha Bay represented: 'luxury that is out of this world'.[40] The company also developed Park Avenue in 6th of October City in order to cater to upper class tourists. Another Gulf luxury real estate developer, Emmar Properties entered the Egyptian market through its subsidiary Emmar Misr, and launched six projects.[41] The company's investment in Egypt was estimated at LE 43.3 billion (Economist Intelligence Unit 2005). In Cairo, it was engaged in building a residential area on Moqattam Hills, where apartments sold at LE 4,500 per square metre.[42] The eight villages planned to be built were not open to the public and are sold by invitation to a select citizenry. In the southwest of Cairo, Emmar Misr planned to build Cairo Gate, Egypt's largest mall, across from Smart Village where the company planned to develop 300,000 square metres into office park space for the workers and commuters of Smart Village. The company has 3.78 million square metre plot of land in the suburbs of New Cairo near the American

market, with a value of $12.711 billion. In 2001-02, the sector's investment levels reached LE 41.2 billion, representing 48.2 per cent of the country's total investment. The sector's growth levels of 8.3 per cent were higher than the general economic growth of 7.4 per cent in this period. The forecasted investment levels during 2002-07 amounted to LE 257 billion (AMCHAM 2003).

[40] For DAMAC homepage, see: www.damacproperties.com

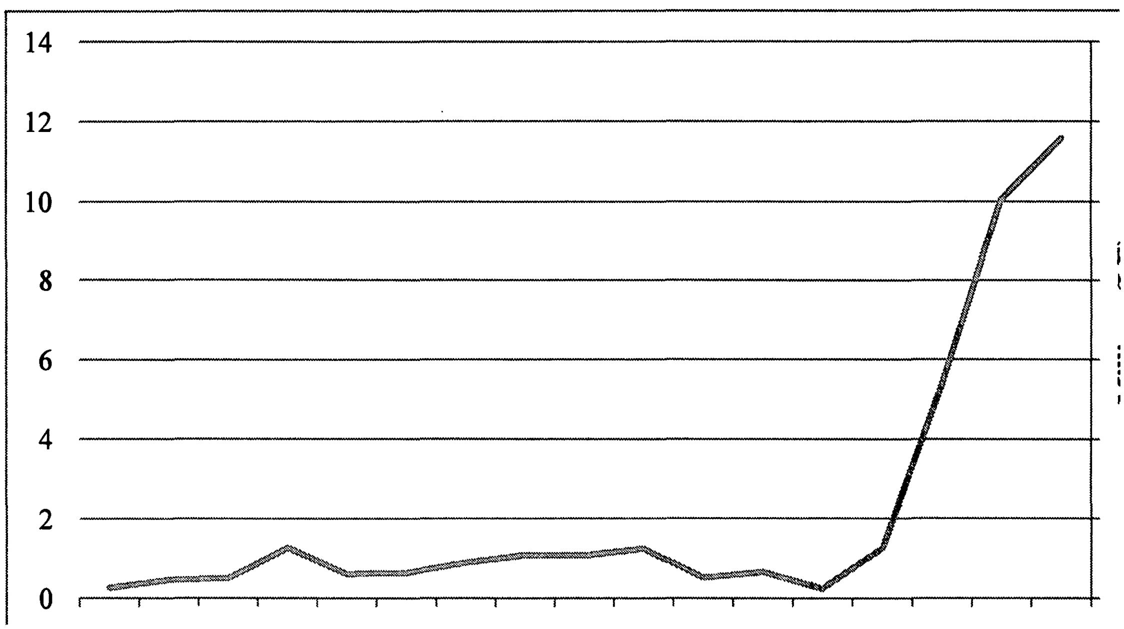
[41] Emmar Misr was established as a joint venture with the state Al Nasr Housing and Development Company (EIU 2005: 32-33).

[42] The project on Moqattam Hill has been at the centre of controversy due to landslides caused by the construction of villas that resulted in death of slum dwellers at the foot of the Hill. See chapter on urban housing for more on this controversy.

University's new campus. On the Mediterranean coast, Emmar Misr has plans for hotels, office parks and malls close to Bibliotheca Alexandria. In the North Coast, in Sidi Abdel Rahman, the company has 6.2 million square metres of land intended to build luxury residences, hotels and shopping malls (Neumann 2009).

According to GAFI, investment in tourism projects increased by 90 per cent between 2004-06 reaching LE 8.4 billion of which 40 per cent was foreign (GAFI 2007).

Figure 7.3 Foreign Direct Investment, 1991-2008



Source: International Monetary Fund.

Between 2005 and 2007, the number of newly established companies in tourism reached 142 and tourism revenues reached LE 7.6 billion in 2006 (Cairo Investment Forum 2007). New tourism projects along the Mediterranean and the Red Sea were launched by various private sector developers with the goal of increasing visitors to 20 million by 2015, from 8 million in 2006, which would double tourism revenues to US$12 billion.

Banking sector reform was launched after the adoption of Law 88/2003.[43] While attempts were made to reform the banking sector in the late 1980s, its privatization was not on the table. After ERSAP, a number of significant mergers and acquisitions took place and by 2004 the banking system comprised 63 banks, with a total asset value of LE 633.4 billion almost half of which belonged to the four public sector banks, total deposits of LE 461.7 billion of which over half were in the public commercial banks and total loans accounting for LE 296.2 billion, half of which was extended by the public commercial banks (NBE 2005: 28-30; EIU 2002: 46).[44] The main clause of Law 88/2003 stipulated that "the issued and fully paid capital of a bank shall not fall below LE 500 [millions]" (NBE 2005: 31), preparing the grounds for mergers and acquisitions, although the main goal was to transfer the assets, deposits and loans of public banks to private or joint sector banks. Thus, during 2004, the sale or privatization of public sector banks or their equity shares took place, reducing the number of public commercial banks to two. The struggle for acquisitions by the private and joint banks continued relentlessly during 2005 in an attempt to expand their share of the Egyptian market (NBE 2005: 42).

Financial sector reforms resulted in the entry of foreign financial institutions into the Egyptian economy and a growth in capital market. Thus, by 2008, the number of banks had been reduced from 62 in 2003 to 39, and foreign ownership in the sector increased with private sector controlling around 15 of the Egyptian banks (See Table 7.2). However, soon it was realized that foreign financial institutions only extended loans to large scale enterprises leaving out smaller enterprises. This realization forced the government to backtrack from their plans to privatize the public sector banks in

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[43] In 1961 Nasser nationalized the banks, and the financial sector remained partly regulated until the late 1980s (EIU 1989/90: 12). Agricultural banks provided subsidized credit to agricultural producers and interest rates remained fixed. Under Sadat, liberalization of the banking system led to the emergence of private banks, numbering 97 by 1984 with a total deposit of $20 billion. Despite the emergence of private banks, the four largest banks – NBE, Banque du Caire, Bank of Alexandria and Bank Misr – remained state owned and together they controlled the bulk of bank assets in 1985. While the large public banks benefited from having the state as their main customer, the smaller private banks specialized in short-term loans, which did not have a cap on interest rates.

[44] The 63 banks included 28 commercial banks (4 public banks and 24 private and joint stock banks), 11 investment and merchant banks, 19 branches of foreign banks, 3 specialized banks, and 2 banks not registered with the CBE (NBE 2005: 29-30). According to the Economist Intelligence Unit, Country Profile (2002: 46-7), Egypt continued to remain a predominantly cash economy, although credit usage had begun to grow. The banking sector suffered due to a high percentage of "poorly-performing" loans not just extended to the public sector, but also to powerful individuals. Non-performing loans stood at around LE 50 billion in 2002.

order to meet the needs of smaller businesses. What was significant about the growth of capital market and entry of foreign financial institutions was the transfer of ownership rights to outside of Egypt and thus protection for investors against expropriation (Roll 2010: 366). The expansion of capital market had also directly reduced the power of the state over the financial sector implying that capital flight could occur at the whims of investors. This further created pressures on the government to accommodate the needs of investors within government policies in order to avoid potential future capital flight.

Table 7.2 The Banking Sector in Egypt, 1980-2010

Types of Banks	1980	1990	2000	2010
Public Commercial Banks	4	4	4	5
Private Commercial Banks	15	40	24	27
Private Business and Investment Banks	7	11	11	0
Off-shore Business & Investment Banks	22	22	20	7
Specialized Banks	4	4	3	0
Total	52	81	62	39

Source: Kapadia (2011: 32).

Beside the dominance of large scale private sector banks, the Egyptian market also witnessed the rise of large scale private companies in sectors such as construction and real estate. Although in 2008, market capitalization in relation to GDP was 60 per cent higher than it had been five years previous, this rise was associated with a smaller number of private sector companies which stood at 380 in contrast to 978 five years ago (Roll 2010: 355). Among some of the main beneficiaries of credit from the banking sector were large scale capitalists in real estate and construction. According to an Egyptian banking sector analyst, Salwa El-Antari, 343 clients received 42 per cent of the overall credit facilities allocated to the private sector, while 28 clients among these secured 13 per cent of the overall credit (cited in Roll 2010: 356). Similarly, records of the Banque du Caire indicate that in the first half of the 2000s, "46 businessmen held nearly 74 per cent of the bank's loan portfolio" (Roll 2010: 356). The steel magnate, Ahmed Ezz was a major beneficiary of bank credit in the 1990s and after. In the 1990s, Ezz was heavily indebted to the public sector banks. After the reform of the banking sector in the post 2000 period, Ezz continued to enjoy easy access to large scale credit facilities. It is ironic that the banking reform of the 2000 was initiated to deal with the non-performing loans of the public sector banks.[45] Yet, the reforms further facilitated large scale private sector's access to credit in the 2000s. According to Roll (2010: 358): "Between 2004 and 2008, companies controlled by Ahmed Ezz (Al-Ezz Steel Rebars), the Khamis –family (Oriental Weavers), Naguib Sawiris (Orascom Telecom) and the El-Sewedy family (El Sewedy Cables) increased their long-term debt remarkably."

Table 7.3 Top Beneficiaries of Credit Facilities, 2004-09, LEm

Company	2004	2008	Per cent change
Al-Ezz Steel Rebars	969	2,636	172
Oriental Weavers	229	625	173
Orascom Telecom	5, 174	28,794	457
El-Sewedy Cables	17	755	4, 435

Source: Roll (2010: 359).

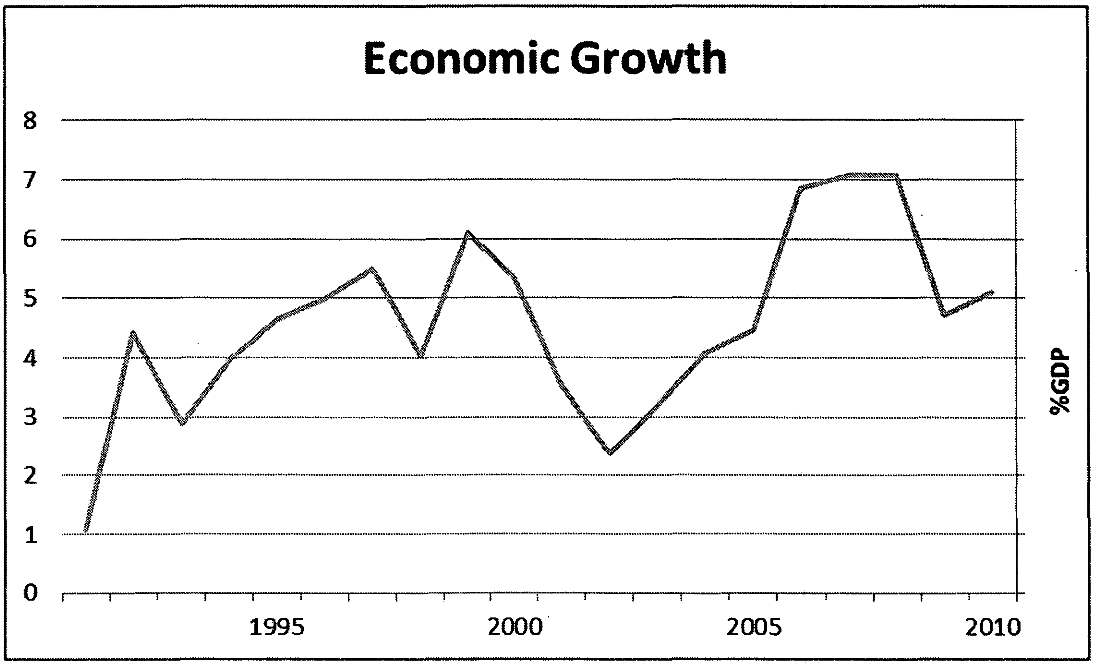
In the post banking reform period, closer ties between the Egyptian real estate sector and the private banking sector was exemplified in the merger of the French

[45] In 2004, the Central Bank established a non-performing loan unit. An examination of more than 5000 loan default cases indicated that 250 of the default cases exceeded LE 50 million (Roll 2010: 357).

bank, Credit Agricole and the MMID in 2006 (Roll 2010: 359). With the establishment of Credit Agricole Egypt, the Bank expanded its activities in the field of mortgage financing to support the business interests of El Mansour and El Maghraby families in the real estate and construction sectors. The relationship between the private sector and government officials demonstrated a new era in the formation of 'networks of privilege' (Heydemann 2004) between the private sector, government officials, bureaucrats and capitalists. Another example will demonstrate this relationship further. In 2001, MMID had become an important shareholder in EFG-Hermes, the Egyptian investment bank. In 2004, Rashid Mohammed Rashid joined the two families becoming a major shareholder in EFG-Hermes.

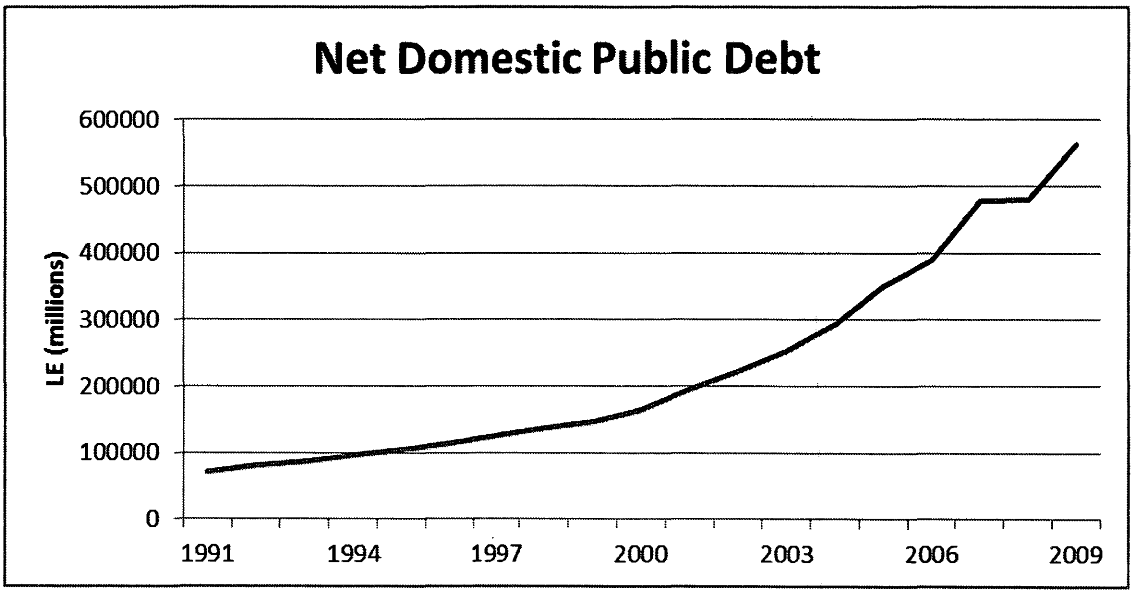
The outcome of economic reform in Egypt was measured by the yard stick of growth rate, which had remained positive during most of the 1990s, plunging in 2000 and picking up again in 2002. As one observant scholar noted: "Both the Egyptian government and the international financial institutions had a vested interest in painting the Egyptian economy as a success story rather than the 'basket case' for which evidence has accumulated." What the growth rates meant to hide, showed "its ugly face through the twin afflictions of unemployment and poverty" (Fergany 2002: 212). Beside the rising levels of poverty, as the following graphs indicate, Egyptian society experienced a consistent rise in debt and rents in the face of positive growth rates.

Figure 7.4 Economic Growth Levels, 1991-2010



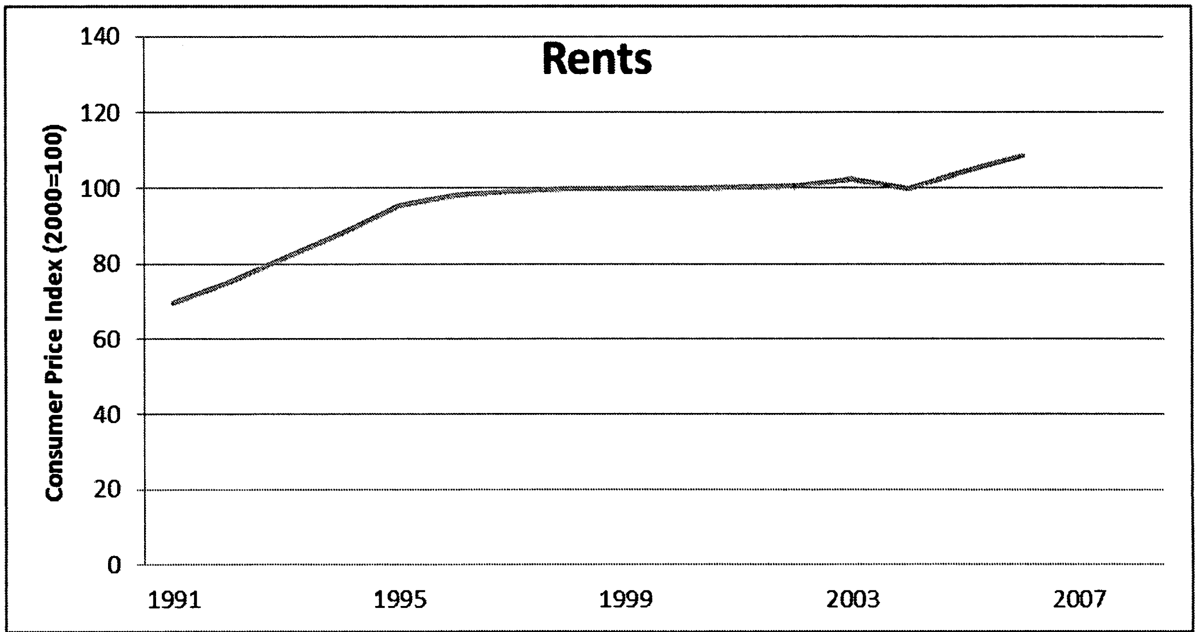
Sources: International Monetary Fund; International Labour Organization.

Figure 7.5 Net Domestic Public Debt, 1991-2009



Sources: Egyptian Ministry of Finance; Central Bank and National Investment Bank.

Figure 7.6 Rents, 1991-2008



Source: International Labour Organization.[46]

These stark realities could not have been overlooked by the Egyptian workers and the poor. Thus, beginning in the mid-1990s, policies of privatization and labour market reforms faced serious resistance from workers who feared the loss of work benefits, resulting in strike action and protests. The basic minimum wage remained at LE 35 a month since 1984 while the cost of living reached LE 108.50 a month by 2008 (Beinin 2010: 14). The minimum wage was subsidized with numerous allowances, bonuses, incentives and profit shares. However, these wage subsidies came under attack as the process of reform picked up pace. The official rate of unemployment climbed from 8 per cent in the 1990s to 12 per cent in 2002-03, declined to 9 per cent in 2008 but increased again at the outbreak of global financial crisis. Most Egyptian analysts believe that the actual unemployment rate was much higher, possibly double the rate reported here (Beinin 2010). Workers' reactions to the policies of the Nazif government expediting the process of privatization of public sector enterprises were fierce.[47] From 2004 to 2006, there were well over 700 labour actions, and in 2007 alone 550 were reported (Rutherford 2008: 227). As Farah (2009: 46) records: "During 2006 and 2007, a continuous series of demonstrations

[46] No data for 2007.

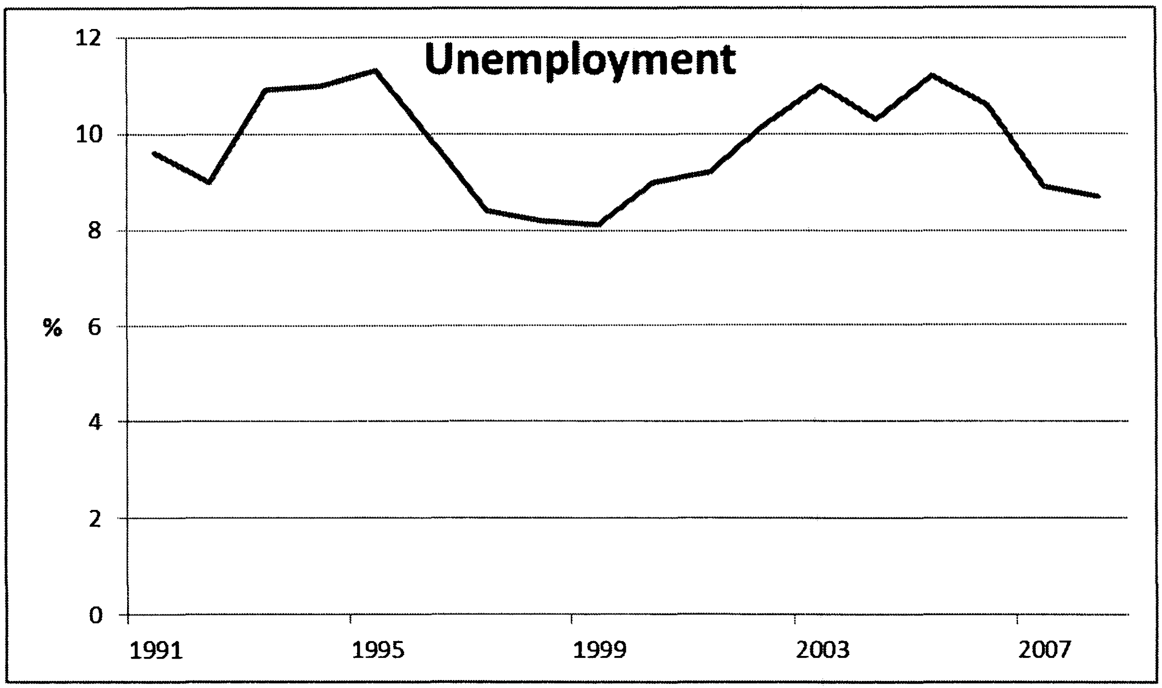
[47] More than a quarter of the public and private sector strikes that broke out between 1998 and 2004 occurred in 2004, the year when Nazif government accelerated the pace of privatization of public sector enterprises (Beinin, 2009: 77).

and sit-ins forced the government to bargain with industrial workers and state employees about wages, which had not increased since the mid-1990s." Estimates indicate that "over 1.7 million workers engaged in more than 1,900 strikes and other forms of protests from 2004 to 2008" (Beinin 2010: 14). Beginning in the textile and clothing sector, the strikes spread to include building materials, transport, food processing, oil workers and workers from other sectors of the economy. During the first half of 2009 alone, there were estimates of close to 500 workers' actions (Beinin 2010: 18).

The increased frequency of strikes was not the only significant development in this period. The organizational form taken by workers' protests was increasingly taking new and diverse forms. As privatization picked up pace after 2004, workers began organizing themselves outside of the official trade union movement. The Egyptian Federation of the Trade Unions (EFTU) began to lose its legitimacy as workers increasingly viewed it as an arm of the state (Hussein 2005: 19-21). The EFTU had been integrated with the state through a corporatist arrangement since the 1960s. The Federation continued to negotiate between government and workers without facing much scrutiny from workers until the late 1980s, at which point it increasingly faced opposition from its own members. In the late 1980s, the official trade unions agreed to sign the *Joint Manifesto of Labourers and Businessmen*, thereby consenting to a program of privatization without the knowledge and consent of workers. In the context of accelerating privatization, the main demands of workers included the preservation of public sector jobs, largely due to their secure nature. Without an official channel to negotiate their demands, workers had nowhere to go but to take to the streets. For the first time since the 1950s, workers began to protest against the EFTU. In the meantime, collusion between the managers of public sector firms and the EFTU led Egyptian industrial workers to seek autonomy from the union. Thus, in 1990 labour lawyer and political activist, Youssef Darwish established the Centre for Trade Union and Workers' Services (CTUWS). The CTUWS was indeed the first step towards establishing an independent trade union that could genuinely represent the interests of the workers and defend their rights.

The labour protests of 2006 onward marked a crucial departure as these were in response to the privatization of public sector firms which had kept wages low and dismantled workers' benefits. In 2008, the security forces targeted the CTUWS and its members leading to mass arrests. Three years later, in 2011, workers succeeded in establishing an independent umbrella trade union, the Egyptian Federation of Independent Trade Unions (EFITU), with a membership of 1.4 million belonging to 72 individual unions (Alexander 2012).

Figure 7.7 Unemployment Levels, 1991-2008



Source: International Labour Organization.[48]

As a result of privatization in the agriculture sector discussed in Chapter Nine, the rural population deeply resented the government and its local representatives in various governorates. The Bedouin of the Sinai region experienced a rapid decline in their living standards and high rates of unemployment as their land was taken by the government for tourist development projects. In the absence of an adequate policy to deal with the dislocation experienced by the Bedouin and the failure of the tourist industry to provide jobs for them, the locals have had to resort to violence to express their anger. Between 2004 and 2006, three bombings in the Sinai Peninsula targeted

[48] No data available for 1996.

tourists, killing 181 people (EIU 2006: 15).[49] With the loss of livelihoods, rural populations have been fighting back against the government and the landlords. Despite sporadic protests, the peasantry have been faced with severe challenges to self-organization, because under Mubarak the formation of independent unions in rural areas was banned (King 2010: 100). Under such circumstances, rural Egyptians have expressed their anger in ways that were possible in order to convey their frustration and anger against the government. Thus, they targeted tourists on numerous occasions during the 1990s, the early phase of accumulation by dispossession in the countryside. Since its implementation in 1991, ERSAP has gone hand in hand with repression in rural areas and urban Egypt.

Conclusion

This chapter examined the shift to a neoliberal model of development since 1991. This shift allowed for the consolidation of power of a new ruling class that adopted capitalist strategy of accumulation. Taking advantage of the ideological global environment in favour of 'free market' policies, the emerging ruling class transformed the Egyptian state in order to secure their interests. In a sense, this period also marks an important phase of state formation whereby intra-elite struggles were resolved through legal, constitutional and economic changes that recreated the Egyptian state.

The chapter demonstrated that various economic crises under Mubarak paved the way for deeper reforms along the 'free market' path. These reforms constituted a political project and a new model of development – the neoliberal model pushed by the international financial institutions and the capitalist groups who had become integrated into the NPD apparatus, particularly in the policy planning branch. As a result, the public sector's role in the economy was radically undermined while the private sector assumed a bigger role in the economy. However, the rise of the private sector, through privatization, did not offer a solution to the social and economic

[49] The government easily dismissed the economic roots of these violent actions of the Bedouin, linking the bombings to Al-Qaeda (Economist Intelligence Unit 2006). Since the fall of Mubarak in 2011, Sinai Bedouin have been demanding their rights to their land and resources in the Sinai. Over the course of 2011-12, there have been serious clashes between the government and Bedouins without any solution in sight.

problems that millions of Egyptians faced. Rather, the shift to neoliberalism intensified the arbitrary and unchecked power of the state and capitalist groups while reducing the space for democratic politics. A stark aspect of the neoliberal phase was the increase in the powers of the state reorganized and deployed to facilitate surplus extraction and capital accumulation in the interest of landlords, developers and capitalists. In turn, this meant squeezing peasants, small producers and workers by reducing state supports and regulation and increasing market-dependence for livelihoods. These radical socio-economic changes were challenged by workers through strikes, protests and struggles to form independent unions. The unfolding of the strategies of accumulation by dispossession is discussed in more detail in the next two chapters which examine the transformation of social relations in urban and rural Egypt through a case study of housing changes.

Chapter 8. Workers, Property Rights and Housing

With the emergence of a new ruling class coalition under Mubarak's rule, workers experienced a radical transformation in their social and economic power. The gains secured under the Nasserist rule were dismantled in the course of the last two decades of rule of Mubarak regime. This represented a new set of class relations whereby workers' interests were subordinated to interests of capitalist entrepreneurs. To demonstrate this changing class relation and the unfolding of a new set of social property relations, this chapter examines the changes in property rights that affected workers' access to means of social reproduction, i.e. right to housing. The liberalization of the housing market through the introduction of Law 4/1996 constituted part of a larger project to reshape social property relations by transferring wealth and resources into the hands of a few powerful elite while dispossessing a large number of workers and unemployed. In effect, the strategy of accumulation by dispossession generalized market dependence among workers by subjecting them to market imperatives in order to acquire the basic necessities of their lives.

Prior to a discussion of Mubarak's housing policy, I discuss Mubarak's land policy in order to contextualize the emergence of housing policy since the 1990s. Following this, I lay out a chronology of housing policy under Mubarak. In part two, I discuss Law 4/1996 and the ways in which the Law facilitated an expansion of a liberalized housing market while creating opportunities for private investors. In part three, I discuss the persistence of informal housing as the only avenue for a majority of workers in the context of a liberalized economy. The final section discusses how the changes in housing policy mirror a related set of changes in social property relations and the consolidation of power by a ruling class who pursued strategies of accumulation by dispossession. Here, I discuss the contestation over property rights as holders of customary tenure were threatened by the imposition of private property rights as the only recognized form of property rights by the state.

Mubarak's Land Policy

Real estate has been considered one of the main channels for private investment in Egyptian cities and new urban communities, both for the purpose of job creation and for housing. Under Sadat, the New Urban Communities Program launched in 1974 aimed to create independent communities in order to reduce the congestion of major urban centres as well as protect agricultural land along the city limits. To facilitate this plan, Sadat created NUCA in 1979 to which the government allocated free public land including a 5 kilometer protection barrier between cities and agricultural land. Land allocation was subject to Law 59/1979, which mandated NUCA to plan, establish and manage" new urban communities in coordination with GOPP and other government agencies. NUCA could enter into direct contracts with persons, firms, banks, international and national organizations and could give concessions for infrastructure and real-estate development projects in the New Urban Communities (World Bank 2006b: 54). To encourage industrial investments in the New Urban Communities, Law 59/1979 offered the following incentives for investors: exemptions from customs' fee and other related duties, tax-free, interest free loans and credit, tax free profits for ten years starting from the date of production (World Bank 2006b: 54).[1]

Since Sadat, attempts to redistribute population and encourage economic development across the country guided the state's land policy. Sadat's government had launched the New Urban Communities (or New Cities) in the desert in an attempt to direct economic development and housing production with the help of the private sector. For a decade, his policies continued under Mubarak. However, in the 1990s with the free market economic development model, the Egyptian state revisited its land and housing policies as land increasingly took centre stage in the new economic model. Public lands began to play an important role in Egypt's economic development as they were targeted for various economic sectors: industrial development, tourism, real estate and agribusiness (See Table 7.1). Here I examine the allocation of public lands for tourism and real estate development.

Prior to 1991, the only organized tourism sector that relied on receiving public/state lands was managed by NUCA, through allocation of land to professional

[1] By 2006, there were 20 new cities and urban communities, but Mubarak had planned an additional 44 new urban communities in the coming year (World Bank 2006b: 55).

cooperatives who built holiday villas along the coast for their members.[2] In the 1990s, the tourism sector gained greater access to public/state lands through administrative reforms that cut complex bureaucratic procedures and eased land transfer to the private sector. A crucial step in this direction was the Presidential Decree No. 374/1991 which established the Tourism Development Authority (TDA) as an economic authority with juridical personality, affiliated to the Ministry of Tourism. TDA's mandate included developing tourism areas within the framework of the new national policy. Among its other powers, TDA was authorized to manage and dispose public (desert) land for tourism development (World Bank 2006b: 36). In 1992, Presidential Decree No. 445 transferred most undeveloped public desert land along the Mediterranean Sea, Red Sea and Aqaba Gulf, lands which were formerly controlled by the governorates and by NUCA. The Decree effectively extended TDA's control over 578 million square meter (from here on sqm) of land, over which other ministries have no jurisdiction (World Bank 2006b: 37-38).[3] To carry out its mission, TDA set up 13 branches across the country to facilitate land allocation to the private sector. [4] TDA's intent was to dispose of all land under its jurisdiction, irrespective of the location at the fixed price of US $1 per sqm, signalling a frenzy in land development (World Bank 2006b: 43).

Land development strategies by the state up until 2004 were designed to de-centre economic activity across the country especially in areas that were in need of jobs. This was also a way of distributing the population away from the major urban centres. Thus, the state promoted New Cities and encouraged investments in Upper Egypt such as the Toshka Project. The private sector was not attracted by the rigidities of pre-determined land use policy by the state and wanted to have freedom to choose the location of their economic activities. The issue of concern for proponents of the free market model was the role of the state and its regulations on public lands. As the state's role in guiding economic development was curtailed, the state's role in making public lands available to the private sector came under increased scrutiny by

[2] A Prime Minister Decree 540/1980 had transferred control over the entire coastal areas along Mediterranean to NUCA, amounting to millions of feddans of public/state lands (World Bank 2006b: 35)
[3] Any future lands that TDA would acquire would have to be cleared by the MOMDP.
[4] TDA was authorized to issue construction permits (World Bank 2006b).

international financial institutions. A number of studies carried out by the World Bank and USAID recommended that the state should no longer designate geographic locations for private investors (USAID 2007; World Bank 2006b; 2008). Investors were keen to access serviced land in existing cities, but faced bureaucratic and legal challenges by the state. Under the Nazif government, steps were taken to ease allocation of Public/State lands, initially by reducing prices and second by cutting down bureaucratic procedures. Serviced land prices in New Cities, which ranged between LE 140-600 per sqm (1999-2004) depending on the location, were thus reduced to LE95 by September 2004(World Bank 2006b: 7). The second step was to reduce institutional obstacles that guided the allocation of Public/State lands, which had been controlled by various ministries and authorities making it difficult for investors to easily access such lands. The World Bank recommended that land allocation should be guided by a demand-driven policy as opposed to a supply driven policy (World Bank 2006b; 2008).

To operationalize these changes and reduce the role of the state, a new entity – the General Authority for Industrial Development (GAID henceforth) – was created by Presidential Decree (No. 350/2005). Acting as an economic authority with judicial personality, GAID was "to consolidate control over all existing industrial estates in Egypt, in both new communities and Governorates, and oversee the development, management and operation of these zones and any new planned zone" (World Bank 2006b: 2). Having established an industrial land bank, GAID aimed to reduce red tape and long bureaucratic procedures that investors were subjected to before they could access public/state land.

These administrative reforms, however, did not reduce various forms of conflict over public lands. Conflicts involved various ministries, for example the Ministry of Defence and Military Production (MOMDP henceforth), as well as various governorates who felt they no longer had power over governorate lands for the purpose of economic development. A case in point was the governorate of the Red Sea where desert land was cleared by the MOMDP for tourism development, but the governorate resisted allowing access to land developers (World Bank 2006b: 38). Furthermore, the creation of entities such as TDA did not bring transparency to land allocation procedures. Instead, public/state lands were given out to members of the political and economic elite either at no charge or at below the market prices (World Bank 2006b: 35).

Beyond resulting in conflict, TDA's decision to hand out land to investors to the latter's choice of location resulted in a sprawl in tourism developments whereby unplanned developments came to define places such as Hurghada where the coastal spots are overcrowded while the rest of the city was ignored by developers (World Bank 2006b). Equally important, TDA's plans to generate revenues from land sales were shattered as a wave of investors defaulted on their payments and left a landscape of half developed monstrosities in prime coastal areas. The acquisition of cheap or free land often also led to speculation whereby developers waited for a chance to make a quick profit without undertaking any serious development projects (World Bank 2006b: 44). The failure of private developers to hold their end of the bargain and thus fulfill the terms of their contract led to the cancellation of 71 projects and repossession of a total land area of 22.5 million sqm (World Bank 2006b: 45).

Table 8.1 Public/State Land Use and Allocation for Private Investment Projects[5]

Categories of Land Use	Legal and Administrative Regulations
Public Free Zones (FZs)	Since the 1970s, around ten Public Free Zones have been established across the country, on public lands transferred by Presidential Decree to GAFI.[6] GAFI has been empowered by Law to plan, service, promote and manage the FZ in question and to be the only interfacing entity with the investor seeking to locate there. By 2006, 865 hectares (ha) had been allocated to these Zones. Investors were expected to make a 25% down-payment and pay the rest in annual instalments over a 3 year period (without interest), at the end of which they would have

[5] Public/State lands were designated for projects linked to real estate development, tourism and agri-business, which are discussed in more detail in Chapters Eight and Nine.

[6] Ameriya, Alexandria (1353 feddans, unoccupied area 18 per cent); Nasr City, Cairo (170 feddans, unoccupied area 0 per cent); Port Said (172 feddans, unoccupied area 0 per cent); Ismailia (first phase of 100 feddans, out of a total of 800 feddans, unoccupied area 38 per cent); Suez (two areas totalling 77 feddans, unoccupied area 53 per cent); Damietta (190 feddans); Media Production City, 6TH of October City (714 feddans); Shebin El-Kom, Menofiya (first phase 20 feddans located within Misr Shebin El-Kom Spinning and Weaving Co Property), under establishment; Qeft, Qena (216 feddans), under establishment; East Port Said Port (8,429 feddans) under establishment (World Bank 2006b).

	freehold ownership. To lease land in FZs, investors only have to deal with GAFI.
Industrial Zones	Located in New Cities/Urban Communities, operated by NUCA. The total planned land area in existing Urban Communities was 16,648 ha, of which 11,806 ha were distributed by 2006. A total of 6,840 industrial projects were licensed and obtained land, but only 1,848 (27%) projects were operating. Land prices in several New Cities were reduced in 2004 to attract more investment.
Planned Industrial Zones	Also called Inland Industrial Zones, these are located in existing cities. In the 1990s and 2000s, the state through Presidential Decree No. 158/2001 offered free land to investors in Upper Egyptian cities. By 2006, 22,847 ha were assigned for inland industrial zones. A total of 2, 304 industrial projects received licenses and obtained lands. The total reported number of jobs was 60,161.
Special Economic Zones (SEZs)	SEZs were regulated through Law 83/2002 and managed by independent SEZ authority. Law 83 offered investors tariff exemption on imports, 10% tax on profits, 5% tax on salaries and wages, exemption from sales tax, stamp duties and State development duties. Land was allocated through long term leases (50 years renewable). SEZs are considered bureaucracy free zones as investors only deal with the SEZ Authority, which is in charge of land allocation, issuing of building permits and other approvals and permissions that may be needed. Investment Law No. 8/1997 offered unlimited land on freehold basis to foreign investors mainly along the coast line (Suez, Alexandria and the Red Sea).

Source: World Bank (2006b).

Housing Policy Under Mubarak, 1981-2010

Housing problems under Mubarak's rule ranged from a lack of adequate housing and the growth of dilapidated public housing, an increasing reliance on informal housing by the migrants and the poor, and the loss of agricultural land due to increasing urbanization on agricultural lands. These problems were left unresolved in the 1980s as the state continued to construct new cities as a policy of distributing the population across the country. Significant changes in urban housing policy occurred after 1991 as the land and housing markets were liberalized.

At the outset of his rule, Mubarak carried on the National Housing Policy (NHP) established under Sadat in 1979.[7] According to the NHP, 3.6 million units were to be built between 1979 and 2000, both to fill the shortage of housing and to replace old and dilapidated buildings. Many who could not afford land or materials formed the numerous slums in and around Cairo and Alexandria. In Cairo alone, there was an estimated need for the construction of an additional 56,000 units annually to keep pace with the rising population in order to provide home for the homeless and to replace the dilapidated public housing (Feiler 1992: 297-98).

According to the 1986 census, there were 1.8 million vacant houses across Egypt (NBE 1995) while at the same time 1.3 million people were deemed without adequate housing. Lack of housing had forced many to resort to informal housing but the government feared that expansion of informal housing in the unplanned manner that was taking place would endanger agricultural land at the outskirts of governorates and urban centres. To deal with the problem of housing, Mubarak's government did not propose any new ideas in the 1980s but expanded upon Sadat's policy of New Urban Communities or the New Towns/Cities.[8]

The New Cities (New Towns)

The New Cities/Towns/Communities project – carried out by NUCA – played a central role in Mubarak's housing policy. The idea of developing new towns and cities which started in the 1970s with Sadat's 'New Communities' project, remained at the core of Mubarak's policies for economic development and population relocation. Between 1977 and 1999, a series of laws established 17 new cities.[9] The 1983 Master Plan for Greater Cairo Region aimed to add 10 industrial cities, each with a population capacity of 250,000 inhabitants (Sutton and Fahmy 2001: 137-38).

[7] Sadat's rent control Law 49 of 1977 remained in force throughout the 1980s with a few minor amendments through Law 36/1981 (Global Property Guide 2006).

[8] I use New Towns and New Cities to refer to the same phenomenon.

[9] First Generation Cities include: 10th of Ramadan; 15th of May; 6th of October; Sadat; New Borg El Arab; New Salhiya; and New Damietta. Second Generation Cities include: Bader; Obour; New Ban Sweif; New Minya-New Nubaryia; and Sheikh Zaied. Third Generation Cities include: Shrouk; New Cairo; New Assuit; New Tiba; New Sohag; New Aswan; New Kena; New Fayoum; New Akhmeim. Law 4/1996 also affected rents in new towns and given that they were mostly built in the 1990s and after, almost all rentals were subjected to the new rent control law.

The New Cities were to serve three main goals: absorb excess population from crowded cities by offering affordable housing while protecting agricultural land from the effects of urbanization; launch industrial projects; and create jobs.

As centres for industrial activity, new cities became a favourite destination for Gulf capital, which benefited from state subsidies for energy and infrastructure, cheap – and sometimes free – land, cheap labour, and various other incentives that came with the reform of the investment laws throughout Mubarak's rule. By 1990, the government had allocated 10 million square metres of land for the New Towns (Feiler 1992: 308). Most investment (89 per cent) was attracted by the first generation new cities, like Tenth of Ramadan City, Sadat City, Sixth of October City and Bourg el Arab City, which were strategically located close to major urban centres like Cairo and Alexandria (AMCHAM 1995: 12, 26). But the problem of housing was not resolved by the New Cities for a variety of reasons which is discussed below.

After the signing of the ERSAP in 1991, housing policy was integrated into a more coherent macro-economic policy of liberalization, privatization, and financialization. In this context, Mubarak's housing policy adopted two approaches to resolve the crisis.[10] First, it envisioned urban expansion and the creation of new cities in the desert through the private sector to absorb an increasingly urban population.[11] This, it was believed, would also resolve the problems of unemployment and overcrowding in Egypt's largest cities.[12] Secondly, a program to upgrade slums was adopted to tackle the problem of informal housing. The latter was to be carried out by the private sector and non-governmental organizations, with the state's participation remaining minimal. Both approaches aimed to deepen the integration of the housing market into the financial sector as rent control laws were dismantled and private mortgages were promoted.

[10] The government's housing program in 1993 aimed to construct 300,000 units per year, with the state building forty per cent of and the private sector constructing the remaining sixty per cent (Soliman 2004: 81-82).

[11] As part of this project, 17 new cities were planned across the country that would bring the number of new cities in the country to 23.

[12] In 1996, Egypt's population had reached 59.277 million, of which 29,760 lived in urban areas and 32,240 lived in rural areas (Soliman 2004: 53). While Egypt grew ten-fold in the last century and a half, Cairo grew thirty fold within the same period (Soliman 2004: 41). The Greater Cairo Region continued to suffer from lack of adequate housing and a heavy reliance on informal settlements by half of its population.

By the mid-1990s, with a new generation of real estate developers coming on the scene and with tourism and land development securing an important role in economic development of Egypt, the New Cities' development became the mainstay of the private sector. In the context of economic liberalization and the state's need to attract more investment to land projects, private investors began demanding increasing levels of incentives. In the context of a neoliberal economic model, the persisting problem of housing was re-articulated. It was argued that too many vacant housing existed both in the formal and informal housing sectors, yet there were too many people who were in need of housing. The question posed was how to make these housing available to those in need of them. One set of solutions began by criticizing Nasserist era rent control and regulations as discouraging factors for landlords and investors. The proposed solution was two pronged: first, the state should implement a regulatory framework alongside with incentives to owners of apartments and developers while also enhancing the security of property rights to land and real estate by ensuring speedy court-administered eviction procedures in case of breach of contract terms; Second, it was suggested to increase the role of the private sector in housing supply by removing obstacles such as rent control as well as making serviced land available to private developers (USAID 2007: vii).

The private sector's demands were duly met by the government who introduced a range of incentives including de-centralization of power towards governorates in disposal of state/public lands, changing the role of NUCA and creating new entities that would transfer land to private investors, strengthening private property rights through the courts, constitutional reforms that removed references to socialism and dismantled protections for tenants and finally introducing investment laws that offered cheap or free land to private developers. Thus, Prime Ministerial Decree No. 2903/1995 authorized governorates to dispose of public land for real estate development leading to a boom in the sector in GCR (World Bank 2006b).The Decree essentially de-centred the power to dispose of public lands away from NUCA and towards the governorates which could from now on deal with private investors independent of NUCA. Beginning in the late 1970s and increasingly so during the 1980s and the 1990s, the private sector assumed a larger role in housing development.[13] Even public-private joint ventures gave decision-making powers to the private sector, which responded to demands from the high end of the housing market. As Table 8.1 demonstrates, throughout the 1980s, the private sector became the dominant provider of housing, both in terms of the percentage of investment and in terms of the number of units built.

Table 8.2 Number of Housing Built, 1982-2002

Contribution By Sector	Units	Per cent
Public Sector	1,203,900	28
Private Sector	3,107,337	72
Total	4,311,237	100

Source: El Batran (2004: Table 1).

The reform of NUCA constituted altogether a decisive shift in the role of public sector entities, reflecting the increased role of the private sector in housing. So far, NUCA had facilitated the government's centralized, supply-driven approach to public/state land redistribution. In the 1990s, private investors and critics of NUCA had argued that NUCA's land redistribution policy was guided more by political interests than by a clear vision of urban development (World Bank 2006b). The reform of NUCA was intended to remove the layers of complex and unclear land allocation procedures. The underlying goal of these reforms intended to reduce NUCA's role as an arm of public sector in the planning and distribution of resources. To implement these changes, NUCA was partnered with the private sector. As such, a Prime Minister Decree 1056/2003 established the Holding Company for Urban Communities, which was also made responsible for various New Cities' authorities.

[13] According to figures provided by Soliman (1989: 34), the public sector produced 61,000 units between 1960 and 1964, and 56,000 in the period 1965-70: "It is estimated that the government invested around LE 599 million in the period 1968-73 and LE 682.4 million in the following five years. Despite the increase of invested capital in the last period, the percentage of GDP devoted to housing has decreased from 5.1 per cent in 1968 to 2.4 per cent in 1979" (Soliman 1989: 36). The level of production dropped under Sadat as only 40,000 units were produced in the period 1971-76, although the late 1970s and early 1980s saw a spike in production levels as the number of units reached 150,000. The substantial increase at the end of the 1970s can be explained by the launch of the NHP in 1979 that aimed to meet housing shortages until the year 2000.

"By Law, the Holding Company replace[d]...all current agencies of new urban communities in terms of assets and liabilities, primarily to the National Investment Bank. The holding company [was made]...in charge of all NUCA implementation, supervision and management responsibilities related to the new urban communities' development" (World Bank 2006b: 64). However in practice, these changes in the role of NUCA were not easy to implement. NUCA continued to play a role in the distribution of land through "direct sale (*Takhsis*), lease (*Haq Intifaa*), or public-private partnership agreements, and to public entities through transfer of assets (*Naql Ossoul*)" (World Bank 2006b: 60).

Nonetheless, NUCA's role in the provision of affordable housing was reconfigured as the private sector gained a more central role in housing provision. As such, NUCA was partnered with the private sector in Public Private Partnership (PPP henceforth) schemes for affordable housing initially in the New Towns, but eventually in other parts of the country. The PPP scheme was based on the offering of free serviced land with infrastructure to the private sector by NUCA in the New Urban Communities. Once a project was completed, a small percentage (7-10 per cent) of the units from a block was recaptured by NUCA in exchange for the free land and infrastructure it had extended to the private sector. These units were offered to low-income groups financed by small down-payment and low annual interest (5-6 per cent) soft loans with a 40 year repayment period (World Bank 2006b: 60).

As the state withdrew from building housing, it began encouraging the private sector by offering incentives (free land initially with infrastructure and later without) and removing disincentives (rent control) from the housing market. The formula for housing under the "free market" rules became the PPP scheme. The state through its housing policy was engaged in facilitating accumulation by dispossession as private investors were given thousands of hectares of free public/state land in return for a small number of units for low income groups.

Once NUCA began to face financial problems that prevented it from offering serviced-land to the private sector, the PPP scheme over time became more deeply entrenched as part of the private sector's housing scheme. In the 2000s, NUCA engaged in land-for-equity-swap partnerships with the private sector and PPP schemes were linked to private mortgages to be developed under Nazif's government.

However, private mortgages and PPP schemes were not the only ways of promoting a private housing market.

The shift to a private sector led housing market entailed a number of policy changes. First, the state dismantled rent control and other pro-tenant measures such as inheritable leases (Law 4/1996). Next, the state actively began promoting home ownership over rental housing by activating a private housing mortgage finance schemes. This approach to the housing crisis required significant reforms to the existing property regime. Changes to regulations governing investment needed to be implemented in order to encourage investment in the development of new urban communities. Incentives for private sector were introduced through a series of investment laws. For instance, investment Law 230/1989 was introduced to boost foreign and domestic investment in the new communities in the areas of land reclamation, tourism, housing, real estate development, and services for oil production. Through Law 230, private sector companies gained the right to own land and enjoy tax exemptions of varying degrees depending on the nature of activity companies were engaged in.[14] Other incentives ranged from land reclamation in the desert, to industry and mining, air transportation and tourism.

Having liberalized the rules governing foreign and domestic investment, the government implemented a series of laws that offered land for development either at low prices, or for free. Law 143/1981 had already allowed the sale of state lands in the desert to private domestic investors for the purpose of new towns/cities; in 1994 the Ministry of Housing sold massive plots in the desert to 320 real estate and construction investors for the purpose of the development of new communities.[15] Law 230/1996 repealed Law 56/1988 which had, among other things, prohibited foreign ownership of land. In 1997, the government introduced Investment Law 8/1997 in the hope of encouraging a larger flow of foreign investment to Egypt. The law equalized the treatment of domestic and foreign investors, created a sliding scale

[14] Although the idea of Free Trade and Industrial Zones were launched by Sadat, the comprehensive set of incentives offered to the private sector in the 1990s qualitatively set apart the Free Trade Zones of Mubarak from those of the 1970s. Investors in free zones were offered full exemptions from corporate tax throughout the life of the project as well as cheap or free land to start their projects.

[15] As a result the construction of luxury housing far outpaced the existing demand with a total of six hundred thousand luxury residences. The number of middle class in Greater Cairo reaches 315,000 families, less than half the number of luxury units built over the course of the 1990s (Denis 2006: 52-53).

tax holiday (ranging from 5, 10, and 20 years) that covered corporate profits, as well as personal, income and sales tax, depending on the location of the project. It extended complete foreign ownership of local projects, and reduced the number of regulations on foreign investment. The law also provided permanent exemption from taxes, duties and customs in 'free-zones'. Other incentives included "reduced import duties, guarantee against nationalization or confiscation and the right to acquire and own land and real estates" (GOE 2005: 25).

The most important legislation that liberalized the housing market was Law 4 of 1996 (amended as Law 137/2006), which aimed mainly to dismantle secure tenancies and rent regulations associated with Nasserism. The Law was introduced on the pre-text of opening up the rental market and meeting the demand for much-needed affordable housing. Two thirds of the urban population lived in rental housing and therefore any changes to rent control laws were bound to have widespread impact. [16] Law 4/1996 was designed to facilitate the creation of a private urban housing market, a pre-requisite for which was bringing to an end inheritable rental leases. The outcome of Law 4 was the proliferation of short-term contracts, renewable annually and thus subject to market based rent increases.[17] The Law also ended the legal process required to secure eviction thus speeding up evictions in favour of landlords.[18]

Combined with the investment laws of the late 1980s and early 1990s, Law 4/1996 led to a flurry of activity in the housing sector. According to the Global Property Guide of 2006, no other law was more effective in reviving the private housing market than Law 4/1996 which empowered landlords against tenants.[19] The targeted beneficiaries of the Law were those with market power, including the 5-7 per

[16] It was this consideration that forced the government to restrict the impact of the law on new buildings and on contracts that ended in 1996, while the remaining portion of the rental contracts would be gradually phased out. See McCall (1988: 276).

[17] Previously, under laws passed during the time of Nasser, tenants could inherit their leases and pass them onto their children while enjoying the benefits of rent control. Under the new law, tenancies were no longer heritable and were subjected to market rates. Article 14 of the law stipulated immediate rent increases on the basis of the year of the construction of the building. Rents increased by 10 per cent for units completed before 1 January 1944, by 3 per cent for flats in buildings completed between 9 September and 1977 and December 1996. Rents on all units are to increase annually by 10 per cent for five consecutive years, after which the market is supposed to take over.

[18] Prior to the passing of Law 4, tenants had to be evicted through court proceedings; the new law, however, empowered the landlord to enforce the payment of rent and secure an eviction merely through the use of an enforcement agent, such as the police.

[19] The government's justification for adopting the law was that it would revitalize the housing market through a supply and demand mechanisms.

cent of ultra-rich Egyptians or Europeans who took advantage of the exchange rate and purchased holiday homes on Egypt's coasts. Despite government claims to the contrary, "evictees [did] not receive compensation, [alternative] housing or any other form of assistance" (Centre on Housing Rights and Evictions 2006: 21). Under the *Occupants Union Bill* prepared by the Ministry of Housing, landlord gained further powers that entailed not only eviction of tenants, but also the seizure of his/her personal belongings in the event that the tenant refused to pay for the costs of maintenance and repair of the rental unit as demanded by the landlord.

In the 2000s, the New Towns/Cities remained an important aspect of housing policy. However, the terms of negotiation between the state and the private land developers who carried out the New Towns projects were revised. Having reformed the investment law, the government launched a twenty year plan with the main goal of expanding Egypt's inhabited area from the 4 or 5 per cent to 25 per cent of the total area of the country. The government offered developed land for individual and urban developers in new cities and settlements outside Cairo, such as Al-Sherouq, Al-Obour, and 6 October City. All these developments affected the land market mechanisms within the Greater Cairo Region. With their newly gained powers in the context of a liberalized economy, private land developers and investors demanded policy changes to strengthen a privatized housing market – demands which formed the cornerstone of Nazif's government from 2004 onwards.

Under the Nazif government, a privatized housing market and associated private mortgage schemes were viewed as integral to strengthening the financial markets. To this end, with support from the USAID and the World Bank, his government developed private mortgage finance schemes. In May 2008, under Nazif's second term as Prime Minister, the World Bank submitted a Housing Policy Reform Framework to the Egyptian government (World Bank 2008). Earlier in February 2008, the USAID had launched a housing survey for the Ministry of Investment in an effort to gather information on the housing market (USAID 2008). These organizations were also instrumental in building the capacity of mortgage institutions as well as launching the registration of property in urban and rural Egypt.

With these changes undertaken, government housing delivery after 2004 was no longer restricted to the construction of new housing units, but also included making existing housing , i.e. vacant housing available on the market as well as encouraging private investors to expand the rental housing market.

The New Towns (Cities): An Assessment

Despite high levels of public investment, the New Towns did not fulfill the goals of population relocation due to the high cost of housing and the lack of necessary public services. For instance, in the Tenth of Ramadan City, where a large number of industries were located, 70 per cent of the workers rented their flats through their companies. However, given the low wage levels and high cost of housing, housing continued to be inaccessible to most workers (AMCHAM 1995: 36; Vignal and Denis 2006: 116-17).[20] By 1994, most of them remained woefully under-populated: on average, the New Towns contained only 8.3 per cent (448,850 residents) of their expected population (Yousry and Atta 1997: 144). By 2008, the New Towns were still marred by the inability to provide adequate and affordable housing for low income groups. Even the World Bank criticized the government's desert development strategy and the New Towns project arguing that the government instead should shift its attention to existing cities and housing project (World Bank 2008).

The problem with private sector dominance of the housing market was that it privileged the construction of high-end luxury homes over the provision of affordable housing for workers, keeping such housing out of reach of low wage earner. For instance, a unit in 6th of October required an initial deposit of LE 4,000, followed by monthly payments of LE 1,000 for a period of three years. Then, a monthly payment LE115 would be expected for a period of thirty years. Beside the issue of the cost, there was no thought given to the long- term provision of employment for the residents expected to move to the New Cities. Employers in the industrial zones in the New Towns tended to close shop once the ten year tax-free period was over and

[20] Employers tend to buy flats from the Tourism Development Authority (TDA) and then rent them out to their workers charging them market rents (AMCHAM 1995: 36).

laid off their entire workforce in order to start new projects that could qualify them for another ten years of tax relief. Often investors attracted to the New Towns purchased land purely for speculative reasons and did not develop it in accordance with the government's plans.[21] Finally, the provision of services in the New Cities was non-existent, and even after services were provided it was done through the private sector and at exorbitant prices that were beyond the reach of poor and low income groups (ECHR 2002; LCHR 2004; Fahmy and Sutton 2008: 284-94).[22]

Far from resolving Egypt's housing problems, the neoliberal solution of liberalizing urban rental and property markets exacerbated the problem through the creation of a segmented housing market that reflected the on-going trends of class polarization initiated by Sadat's infitah. At the high end of the housing market, there was an expansion of Gated Communities catering to upper middle class consumers and wealthy domestic and foreign investors. At the low end of the housing market, there was a prolonged neglect of affordable housing for workers and a subsequent proliferation of informal housing. These two categories of housing are examined next.

The Gated Communities: a Metamorphosis of the New Towns

While the New Towns failed to serve as an effective housing policy tool for the state, it succeeded in consolidating a class-based housing policy as gated communities flourished on public/state land allocated to private developers. Gated communities sprang up after the introduction of ERSAP and were designed to allow the rich to escape the overcrowded and dilapidated cities. These private communities provided a green, clean, noise-free environment with the same standards as elite residences in North America and Europe. In other words: "No factories, no pollution, no problems" (Mitchell 2002: 273). The construction of private communities explicitly

[21] Many such cases were known in the Sinai governorates leading to disenchantment of locals against the government and private developers.
[22] A 2008 World Bank report re report titled 'Towards an Urban Sector Strategy' port titled 'Towards an Urban Sector Strategy' criticized the New Towns strategy of the government arguing that it had come at the expense of existing cities where urban planning was completely overlooked adding to the chaotic urban sprawl (World Bank 2008).

geared toward the rich was justified by the head of NUCA as the "right" of the rich "as citizens to live in nice places. ... [He added] [i]gnoring their needs means marginalizing them just because they are rich" (Mahmoud El-Sarnagawi, head of the NUCA cited in Shahine 2000).

The proliferation of Gated Communities occurred in the framework of the New Cities where absence of regulations on private developers resulted in the expansion of luxury housing. In a 1995 report, the American Chamber of Commerce in Egypt (AMCHAM) proposed that the private sector "should be an effective and important partner with the government in building the New Cities." The report further recommended that the government "should only provide the basic infrastructure" (AMCHAM 1995: 55). Taking these recommendations to heart, the government sold vast tracts of state land to real estate developers who planned private cities for the rich with the support of public sector banks (Fahmy and Sutton 2008: 285; Mitchell 1999). With the abolition of rent controls, and with a new investment law in place, the prospect of building private communities for the rich proved to be too good an opportunity for the private sector to turn down. From the mid-1990s onward, Egypt witnessed the beginnings of the construction of a number of private communities such as: Al Rihab; Misr El Aseelia; New Cairo; Mena Garden City; Dream Land; Utopia; and Beverly Hills.

The main preoccupation of private developers for these Gated Communities was the building of luxury housing. Catering to an elite seeking refuge from Egypt's overcrowded urban centres, the size of properties ranged from 120 to 800 square metres and were often priced between LE1 million to LE3 million. To appeal to the consumption tastes of the elite, the communities were often equipped with golf courses, lush green spaces, amusement parks, and shopping malls. Security, hospitals and clinics, private schools and private universities (such as the new campus of the American University of Cairo) were provided through the private sector, which were desired by the rich who took pride in using private services. Geographically, these private communities were protected from Cairo by suburban ring roads and were accessible only by private means of transportation.

This trend of building villas and luxury housing was not shielded from the eventual burst of the property market bubble in 2000. By 2003, only 60,000 luxury housing units were built out of a projected 600,000 (Fahmy and Sutton 2008: 285). However, the crisis in the luxury real estate market did not lead to any significant shift in policy. Rather, it led to a further increase in pressure from the private sector on the government to develop a private mortgage scheme that could create a steady supply of customers for the developers.

Politically, Gated Communities encapsulated a process of accumulation by dispossession through the rapid expropriation of public land, the enclosure of space and the privatization of resources such as water, all in the interest of elite consumption and capitalist profitability. In light of this, these Gated Communities resulted in a "duality of peripheral informalization, on the one hand, and planned exclusive suburbanization, on the other," that was a "stark manifestation of urban polarization and social cleavage in Egyptian society" (Bayat and Denis 1998: 16-17).[23] Shielded from the majority in their gated residences, the elite continued their policies of "oligopolistic liberalization, without redistribution, while protecting themselves from the ill effects of its pollution and its risks" (Denis 2006: 49-50). In this sense, Gated Communities captured the essence of neoliberalism as a form of social exclusion that privileges a new Western life-style for the few over access to affordable housing and quality public services for the many. If the Gated Communities represented one side of the coin, the other side was the expansion of informal housing, which is discussed in the next section.

Affordable Housing Through Public Private Partnership (PPP) Schemes

Under Mubarak's rule, the public sector's share in housing investment declined significantly, corresponding to a radical decline in production of affordable housing over the course of the 1980s and 1990s: between 1986 and 1990, 52,600 units were built; between 1991 and 1995, 32,500 units were built; and between 1996 and 2001, only 30,000 units were built (El-Wardany 2011).[24] As the public sector withdrew its

[23] Gated Communities represented the "rehabilitation of the spirit and the city of royalty and colonial investors before...the Egyptian Revolution" (Denis 2006: 56).

[24] Public sector investment levels between 1985-95 reached LE 17 billion while public sector's share remained at LE 1.6 billion (NBE 1995). This private sector's share of production of housing reflected this rise in its investment share. During the first two Five Year Plans (1982-87, 1987-92), out of a total

role from a direct producer of affordable housing and investor for workers housing, the state adopted a PPP scheme with the private sector. The state's role in the provision of low income housing through PPP scheme was two pronged: first, it allocated state/public land coupled with infrastructure for low income housing projects to be developed by the private sector; second, it developed a private mortgage system that would enable the poor to enter the housing market through the private sector banking system.[25] To make these aspects of the policy succeed, the state moved to adopt relevant laws and annulled past laws that posed obstacles in the creation of a housing mortgage system.

Disregarding the failure of the New Cities' formula for affordable housing, Mubarak's regime implemented two further projects. The 'Mubarak Youth Housing Project' was launched in the 1990s and aimed to build 70,000 units, between 1996 and 2000, in 15 new cities across the country with a total cost of LE 2.7 billion. The state subsidized 40 per cent from the sale of high income residential areas and dwellings in new cities and resorts. Ownership was encouraged by offering credit to be repaid in 40 years at 5 per cent interest rate.[26] After the completion of this project, the state intended to replicate it across the country as a way of providing housing for low income earners. A second project, 'The Future Housing Project', was launched in the late 1990s by Mubarak's wife. This project also aimed to build 70,000 units at a total cost of LE 2.1 billion, excluding the cost of land. The private sector raised half of the funds while the state covered the other half. These units were offered on credit extended by the state, payable over 40 years at 5 per cent interest rate. This project

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estimated 2.4 million housing units, public sector's share stood at 120,000 while the remaining portion was contributed by the private sector. However, these levels of investment were reflecting the economic crisis that Egypt experienced in the 1980s. In the 1990s, with the liberalization of the land market, there was a spike in housing production (World Bank 2008).

[25] However, as a survey by USAID (2007: 42) indicated, very few of those in need of housing were aware of such official housing programs for low income groups and even less were aware of mortgages. Critics have argued that projects labelled as affordable housing serve more of a propagandistic purpose to boost the popularity of the ruling party than a real solution to housing for the poor. Indeed, most of the housing built under this category has been acquired through bribes by individuals as a worthy investment and kept vacant (Ibrahim and Ibrahim 2003: 219).

[26] According to Egypt's State Information Service, the government's contribution in the 2000s towards low income housing took the form of the extension of soft loans in the amount of LE 625 million, each for LE 15,000, to be repaid in instalments over 40 years at 6 per cent interest rate (Egypt State Information Service 2005).

was also to be replicated across the new cities as part of a process of population transfer from overcrowded urban centres.

Rather than increase public sector investment in affordable housing, however, the Mubarak regime engaged in a new mortgage-backed private sector housing strategy. New 'affordable' housing projects were to be driven by the creation of a private sector backed market in mortgages for low income earners. The attack on rent controls served as a means for promoting home ownership amongst the poor. In the 2000s, the state began to promote affordable housing provision through the privatization of financial services.

The reality was that despite these plans, a majority of the *affordable* housing constructed between 1997 and 2004 continued to be by the informal sector as both the state and the private sector played a very limited role in the provision of low income housing. As mortgages were slow to pick up, the private sector continued to find luxury housing, tourist accommodation and villas as the natural destination for their investments. Thus, luxury housing in the new cities and urban communities remained attractive targets for real estate developers and financiers given the incentives that the state offered them under various investment laws.[27]

In 2005, the government launched the NHP with an estimated budget of LE 25 billion to build 85,000 housing units annually for low income youth. The project was to end in 2011. To realize the NHP, the government sold state land at cheap prices to Orascom Development Holding and Nasr City Housing on the condition that they would produce low income housing. The private sector would build the housing. The housing units were distributed through a lottery whereby those in need of housing would fill out applications and enter a draw. However, there were other conditions that excluded the very poor and privileged only those with a stable monthly income as valid candidates for such housing: "Eligible applicants should be between the ages of 20 and 50 with a monthly income of a minimum LE 640 and a maximum LE 1,000. They were required to pay LE 5,000 with their application in order to reserve the unit and LE 160 in monthly instalments over 20 years, subject to 7.5 per cent annual increase" (Elyan 2008). However, when the project was completed, it fell far from

[27] The government's NHP 2005-11 aimed to build 500,000 units over that period, without any specification of the category in which the housing would fall.See: (Hassanein and Sherif 2011).

meeting the criteria of affordability. Not only were the flats small and unsuitable for ordinary families, but the prices of the flats – ranging from LE 500,000 to LE 1.5 million – were beyond the means of the majority (El-Wardani 2011b).

Being unable to afford what the private housing market offered, a majority of the workers were forced to live with their families well into their adult lives. A journalist, Mr. Aheb who worked in Cairo lived in an informal housing area with his wife and daughter. However, he had planned to eventually move into his family home along with his parents, and his unmarried brother. The house was being built in stages, one storey at a time (Joya 2005). Even though the size of flats offered by the private sector shrank, the high cost kept such flats out of reach of urban workers.

Table 8.3 Distribution of Urban Housing Built, 1987-97

Sector	Units Built	Percentage Share
Public sector	718,300	27.6
Private Sector	706,500	27.2
Informal Sector	1,175,200	45.2
Total	2,600,000	100

Source: USAID (2007: 128).

The Failure of PPP and the Persistence of Informal Housing

As the failures of the New Cities made increasingly evident, the problem of affordable housing was not being resolved as the majority of private sector housing construction was tailored towards the middle class, to rather disastrous effect (World Bank 2008). The obvious alternative for workers was the informal housing market.

Informal housing has long been considered a problem in Egypt.[28] Informal areas first appeared in the 60s and expanded in the 70s and in the late 1970s, uncontrolled urban expansion in the Nile Delta region's agricultural land became a major issue for the government. Informal housing was seen as a problem primarily because of the threat it posed to agricultural and not because of lack of urban planning or inadequate housing for those who resided in them. Government measure, vis-à-vis informal housing, not primarily motivated by resolving the lack of affordable housing, but instead aimed to restrict their expansion onto agricultural land (World Bank 2008). [29] But the concentration of population in informal settlements over the decades also posed a political challenge for the government who feared the radicalization of residents of informal settlements by the Islamist opposition groups.

Some estimates suggested that from the mid-1980s onwards, three-quarters of the population of Greater Cairo lived in informal settlements, covering two thirds of the land area and accounting for 85 per cent of dwellings (Mitchell 2002: 287-88; Feiler 1992: 300-1). Even the conservative estimates of the Egyptian government put the residents of informal communities at 12.6 million in 1993 (LCHR 2004: 92-109).[30] In 1992, the population of urban informal settlements in the country was estimated at 8.2 million or over 38.6 per cent of the total urban population, residing in 707 informal areas across the country's major urban centres, including Cairo and Alexandria (Soliman 2004: 86).[31] In 2001, an estimated 1,105 squatter and informal settlements were reported in Egypt providing housing for 15.7 million inhabitants. However, according to the 2006 Census, only in the Greater Cairo Region, 60 per cent of the population lived in informal areas accounting for 10 million inhabitants,

[28] A study by the Land Centre for Human Rights indicated that the number of buildings without any sanitary drainage or adequate clean water in Cairo reached 77,122 buildings (LCHR 2004: 92-109). As a result, such areas suffer from a high rate of disease due to lack of clean water and proper sanitation.
[29] Informal housing had consumed over one million feddans of agricultural land over the course of 4-5 decades (USAID 2007: 1). The USAID (2007) study for affordable housing in Egypt was requested by the Minister of Housing, Utilities and Urban Development with the aim of formulating a national housing policy for affordable housing.
[30] According to Naglaa Arafa, an analyst at the United Nations, Egypt is home to 1,221 urban slum areas, housing between 12 and 15 million of the country's approximately 75-million citizens (Mail & Guardian 2006).
[31] Cairo has the largest number of informal areas, as it has 79 informal areas compared to 60 in Qalyubeyya, 49 in Assiut, 46 in Beni Swif, and 40 areas in Alexandria (Soliman 1996: 187; Mitchell 2002: 287).

indicating that across all of Egypt a larger percentage of the population lived in informal housing (World Bank 2008: 11).

These staggering numbers alerted some experts – who viewed informality as hindrance to other economic activities – to propose a way out of informality. Formalizing the informal housing market which was a subsequent proposal promoting a liberal housing market which was put forward by the Peruvian economist Hernando de Soto. De Soto argued that 92 per cent of all urban housing fell under the category of informal preventing such capital from becoming the lynchpin of a strong financial sector (De Soto 2000: 30).[32] De Soto (2001) framed his ideas by equating informality of urban dwellings with the lack of legal protection for informal dwellings. He proposed registration and titling of informal residential property as a first step towards the enjoyment of benefits of a free market. Formalization, de Soto argued, would enable property holders to use their newly registered property or mortgaged property as collateral against loans from banks, which would further contribute towards other forms of economic activities. Once formalized, investors would gain access to an estimated US$195.2 billion 'masked' in informal housing (De Soto 2001: 29).

Formalization, it is argued, would make housing a secure venue of investment not only for home owners but also for the financial system (Moustafa 2003). According to de Soto, 90 per cent of urban housing and 80 per cent of rural housing were considered informal as they lacked clear titles (De Soto 2001: 25). One implication of informal housing was that residents could not use their property as collateral against credit and loans from the banks and thus their economic activity is radically limited.[33] Liberalizing the housing market and formalizing the informal sector could bring US$240 billion to the market in the form of registered property (Rutherford 2008: 216-17).[34] However, property could only be turned into collateral,

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[32] De Soto's main argument was that such informal assets if kept out of the formal property market would not become the means of development to those who sit on such assets. The majority of poor of informal communities, de Soto argued, would begin to experience the trickle-down effect of capitalism only after "the firm foundations of a formal property are in place"(2000: 222).

[33] De Soto (2000: 5-6).

[34] While de Soto argued for titling as a mechanism for reviving the housing market and boosting the economy, others argued for the very creation of private property as the solution to the problem of poverty in the Arab world. Thus, Beach and O'Driscoll, Jr. (2003: 27-8) argue that the absence of clearly demarcated property rights and thus, the absence of economic freedom led to the slow pace of growth and development in the MENA region. They emphasize the role of institutions – the Constitution, private property, rule of law and economic freedom – in creating the right conditions for a

and from collateral into credit, if rules and powers were arranged to enable creditors to seize the property of debtors who defaulted. These considerations were at the core of changes that the government introduced in the 2000s.

The government responded to these proposals by liberalizing the housing market and adopting policies and laws that would increase the role of the private sector in the housing market and deepen the links between the housing sector and the financial sector. It did not, however, go so far as to adopt de Soto's suggestions regarding the formalization of informal housing. Thus, while reforms were implemented that sought to establish an urban housing and real estate market through the provision of private mortgages, these mortgages were not aimed at the informal housing sector (hence the continued reliance of the state on demolition as a policy of dealing with congested informal neighbourhoods).

Very little has been known about the sources of financing for informal housing. What has been known is that informal housing has been steadily built up over a long period of time pending on the availability of funds either from personal savings or loans from relatives or from local credit groups (*gamiias*). The informal source of financing did not mean informal property was not exchangeable. In reality, informal housing could be rented, sold or inherited through legal means and on the basis of *ourfi* contracts.[35]

Within the category of informal housing, there exists a hierarchy. While some civil servants and rural farming families over time manage to acquire their own housing, others – especially those migrating to cities – have no means of acquiring such housing. The latter category thus ended up on roof tops or in tomb housing. According to Soliman (1996: 187), there were over 200,000 people in Alexandria who lived on rooftops on a regular basis, while Cairo's roof top population reached 1.5 million.

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democratic market economy. They argue that: "Bringing democratic capitalism to the Arab world is not a dream but an imperative. F.A. Hayek wrote eloquently of how private property protects the poorest of the poor: The system of private property is the most important guarantee of freedom, not only for those who own property, but scarcely less for those who do not. It is only because the control of the means of production is divided among many people acting independently that nobody has complete power over us, that we as individuals can decide what to do with ourselves."

[35] Ourfi contracts are simple contracts drawn between two parties and witnessed by two persons. They are backed by Sharia as well as the Civil Code. However, the Ministry of Justice does not accept them as proof to register property (USAID 2007: 130).

Tomb housing, while existing for some time, was never as prevalent as it became in the recent decades. Ignored by municipal authorities, residents of tomb cities developed their own basic infrastructure and provided their own basic services. Cemetery housing could be found across Egypt, but the most prominent ones are located in the major cities of Cairo and Alexandria. El-Arafa, or the 'City of the Dead', founded in the seventh century, became the destination of choice for migrants who came to Cairo in the 1950s and since then it has become the residence of over a million inhabitants. Over the course of the centuries, the cemetery has turned into a genuine city with cafes, shops, post offices and medical centres.[36] Official attempts to relocate residents of the City of the Dead to outer areas of the Cairo governorate failed given that no adequate housing had been planned to meet the needs of these residents.

These areas have continued to remain outside of state jurisdiction and the residents tend to deal directly with the relatives of the dead whose tomb they use as residence. The distance from the state is further reinforced by the precarious labour market through which residents reproduce themselves. Residents of Sayeda Ayesha and Tarb Al Ghafeer, two slum areas at the foot of the Moqattam Hills in Cairo, for instance, relied on informal work such as selling flowers or fruits on carts. They complained about the lack of services, such as clean, running water, electricity, garbage collection, sewage, health clinics, and schools. While they resided in tomb houses and did not pay rent, they still relied on the mercy of the relatives of the dead who decided who they wanted to keep and who to evict (Joya 2007). The absence of rent was the main factor in Naama Mohamed's choice to live in her tomb house. At 50 years of age, Naama, originally from Suhag, had lived in her house for twenty five years. She initially lived with her husband's family in another poor neighborhood and then moved into the present grave house. Her husband, 70, worked in silk making trade and she had seven kids. The son-in- law worked as painter-apprentice (*mahaara*). Her children did not get schooling. The families said they did not pay rent and as long as they looked after the graves regularly and properly, they could stay in

[36] According to the Cairo *2050 Master Plan*, the government will replace the el-Arafa cemetery with gardens and parks, creating a green lung in the middle of the city. To realize these plans, graves and monuments spread over 17,000 acres of land will need to be relocated to Helwan and Sixth of October cities. The contentious issue surrounding this *Plan* is the fate of the living residents of el-Arafa cemetery.

their residence. They said they got electricity for a bulb-light from one of the bigger graves; often times, they said they would steal a line so they could have some light in the house. But they had to fetch their water from far distances (Joya 2007).

A hesitant interviewee, Mona Abdel Hamid from Giza, Cairo lived in her tomb housing with her two children and her husband, a painter apprentice. She had moved into this tomb house without the knowledge of the relatives of the dead and was fearful would be evicted if found out. Another interviewee, Hoda, originally from the governorate of al-Sharqiyya, had come to Tarb al Ghafeer (Moqattam Hills, Cairo) thirty years ago. Her husband was a grave keeper (torab). She had two kids. When asked if she would consider moving into the new cities, she said she had filled out an application four years ago and that since then she had not heard anything. She expressed her grievance about the New Cities' Housing project saying that only those with political connections got housing although there was more than enough to be distributed to those living in insecure and informal housing like her and her neighbours. All the families I interviewed in the City of the Dead had similar problems including lack of clean drinking water, electricity, schools and access to amenities, such as pharmacies, clinics and grocers. They expressed concerns about housing, financial problems and the failure of the government to respond to their needs (Joya 2007).

Beside financial insecurity and fear of evictions, health challenges due to the physical environment of decomposing tombs remain a daunting challenge for residents. In one of the tomb houses, I spoke with an old woman who invited me inside her house. The house contained two compartments used as rooms. There was a tiny space for kitchen and a washroom with a hole for toilette, a feature that all the houses I visited had in common. Damp and lacking any sunshine, the house was infested with mosquitos covering the bodies of the young children playing around the tomb (Joya 2007).

Residents of tomb housing benefit from the absence of rents but suffer from low quality housing, health hazards and lack of services. However, not all informal areas resemble one another, each shaped by a whole host of factors (e.g. proximity from the centre of Cairo, availability of services, flow of funds through remittances among others). Therefore, assigning the label of informality to settlements can carry serious implications for the right of residents of such settlements. First, it could exclude them from accessing services and public funding for upgrading their living spaces. Secondly, the title of informality could take away the communal rights of people who have built their homes and their livelihoods in a particular settlement, which is often on state/public land.[37] Lastly, and linked to the previous point, the label of informality can leave such settlements prone to demolition and forced evictions by the government as part of their slum upgrading initiatives.

To residents of informal settlements, the government's plan of urban renewal represented a process of dispossession, eviction and forced relocation. For example, in 1992, a national plan was established for the upgrading of informal settlements in which 434 informal settlements (out of a total of 904) were chosen for the first phase (El Batran 2004: 6). This strategy continued over the course of the next decade, and by 2004 the government had issued 112,000 demolition orders (Fathy 2004).[38] The informal settlement in Hekr Abu Domma, in Cairo along the eastern bank of the Nile, was demolished by the government in 2001, with residents being compensated by the state in the amount of LE 15,000-45,000 per family. The land on which the settlement was built however was worth much more than this with each square metre averaging approximately LE 50,000.[39] With the low levels of compensation given to its residents, it was very likely that they would end up in another informal settlement.

Other residents ended up in places that were already crowded or were far from amenities and services. For example, in the case of the clearing of Umm Al-Masryeen, residents were "sent to a remote area in 6th of October City – the somewhat misnamed Hope City" where "new homes had not been provided with

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[37] Informal settlements are fraught with conflicts over property rights with the residents claiming ownership over their housing while the state attempting to claim the land as state land. Attempts by the state to claim such informal lands in the urban areas began with Decree No. 506/1984 whereby municipalities were given the right to clear out informal settlements in parts of Cairo and Alexandria. However, these attempts were faced with strong resistance by the residents who claimed property rights over their housing (Soliman 2004: 109). According to the Vice-Chairman of General Organization for Physical Planning (GOPP) at the Ministry of Housing, informal settlements or slums could include illegal building on agricultural land, people living tombs, desert settlements and rooftop housing (*Daily Star Egypt* 2006).

[38] Since the application of Law 96/1992 that dispossessed many small farmers and peasants, a new wave of rural-urban migration began in the late 1990s. These new migrants often found it hard to find housing and if their informal settlements were destroyed they were told to return to the places that were indicated on their ID cards.

[39] Residents indicated that buildings and schools were also demolished due to the high value of the land.

utilities" and "lacked telephone lines, electricity or water" (Fathy 2004). Still others are evicted and relocated to distant, desert locations. For example, in 2001, a Prime Ministerial Decree ordered the demolition of the whole area of Hekr Abu Domma, labelling it susceptible to collapse (Ministry of Local Development 2001; Ministry of Investment 2011b: 30). Alternative housing was offered in the new desert city of Al Nahda. Even those who accepted compensation had to live in tents for months and await the receipt of the compensation, which was not guaranteed. The ultimate irony was the demolition of an informal settlement – and the forced eviction of its residents resulting in their subsequent homelessness – with the intent to build affordable housing units on the cleared site was part of Mubarak's Youth Housing Scheme. In this case, five hundred families in Tosson, Alexandria, who had settled in 1998, were forcibly removed in 2008. The police used tear gas, dogs, and brute force. For ten years, the state had turned a blind eye to the illegality of the housing and even provided electricity, water and other services. Residents claimed that they had invested most of their savings in their housing and were left with nothing after the demolition of their homes.

These attempts at clearing slums and informal housing cannot be understood outside of the context of the government's larger strategy of neoliberal economic reform and development and, in particular, the attempt to create a market in urban housing and urban property. Despite recommendations by USAID to substitute the policy of slum clearance with a scheme of 'formalization' by which slum dwellers will be 'empowered' to buy their own home through some form of financing initiatives,[40] the government accelerated the process of dispossession through demolition as a means of attracting foreign investment to develop urban real estate. Thus, slum upgrading schemes transferred prime urban real estate to private investors and radically increased the price of land, making it impossible for informal housing residents to even contemplate purchasing their former informal dwellings.

[40] Given that the proliferation of informal housing has remained the dominant means of meeting the housing needs of ordinary Egyptians, USAID has been encouraging the formalization of the informal housing sector through the promotion of home ownership schemes and the creation of mortgages. This scheme is supported by de Soto (2003) who argues that creating a legal property system by absorbing illegal or informal property would "unblock trillions of dollars in 'dead capital'" (Clift 2003: 10, interview with de Soto). Thus, USAID has discouraged the continued demolition of slums in favour of promoting their upgrading by offering tenants the chance to buy their homes in order to encourage renovations and improvements.

Slum upgrading through evictions and demolitions constituted an important policy of the government, the latter motivated by two factors: potential windfall from sale of informal lands especially settlements in the heart of Cairo; next, in line with promotion of tourism, the state attempted to present a 'clean' and 'orderly' image of Egypt to western tourists by moving informal areas to outskirts of major urban centres.[41] As a result of this policy, on November 27, 2005, "the Minister of State for Local Development, Abdel Raheem Shehata, unveiled his Ministry's plans to convert informal housing quarters, in seven different governorates [Giza, Gharbiya, South Sinai, Port Said, Suez, Sohag, Aswan], into land for new investment projects – these plans were to be executed starting December 2005" (Charbel 2005). A major project dependent on slum removal was the '*Cairo 2050 Master Plan*' which was launched in 2007 with the goal of making Greater Cairo a "cleaner, greener and better" place through the upgrading of slums (Madbouly 2006, 2009; El Maghraby 2009). The *Plan* intended to redistribute the population of informal settlements, create 50,000 feddans of green space, move industry to the outskirts of the GCR, and improve public transportation by adding 15 new metro lines and two new railway stations. These goals are intended to transform Cairo into a 'world-class city'. According to Elsheshtawy (2011) such urban visions were not unique to Egypt, but were part of regional attempts to make the urban spaces more liveable and more inclusive.

The exorbitant cost of this urban renewal, however, became apparent when it was revealed that whole cemeteries (including City of the Dead) would be uprooted in order to make room for green space, while slums and informal settlements in the Old and Islamic parts of Cairo and from the vicinity of the Giza pyramids would be demolished in order to create an open air museum. In July, 2007,

> Al Wayly district began demolishing 21 buildings in Abasseya square to kick-start the construction of Cairo's third underground metro line, amid the stifled objections of angry residents. Before that the council had cut off electricity and water from all the buildings, where shop owners and some residents objected to not receiving what they consider to be 'satisfactory compensation.' They claimed that the government

[41] Similarly, affluent groups in Egypt view informal residents and their occupation of such land as temporary, expecting them to eventually leave such areas, allowing landlords and developers to make profitable use of such lands.

devalued the land, offering merely LE 2,000 per square meter (Carr 2007).

Keeping on track with its plan for a private sector-led urban renewal, the government carried out forced evictions in informal housing areas such as Qal'at Al-Kabsh in Cairo's district of Zainhum, Old Cairo's district of the potters, Ayn Helwan, Al Marj as well as many others.[42] The security forces regularly used tear gas and imprisoned residents who resisted evictions.[43] The evictions resulted in loss of housing as well as jobs for those who had to seek housing in alternative informal neighbourhood.

Table 8.4 Forced Evictions and House Demolitions after the Adoption of Law 4/1996

1997	Demolition of Fawakir (ceramics workshops) in old Cairo.
June 1998	Demolition of seven buildings in Ain Helwan, Cairo.
April 2001	Decree 542/2001 passed by the cabinet to evict 155,000 residents of two islands Al Warraq and Al Dahab.
November 2001	Demolition of 65 houses in al-Arish (Sinai).
November 2001	Demolition of 76 homes in Khaddariya, Sharqiyya governorate.
2001	Demolition of 25 homes in al-Duweiqa (Cairo) (ECHR 2003).
2001	Forcible eviction of residents in Port Said resulting in one death by a bulldozer.
June 2002	Demolition of 150 homes in Manshiet al-Awqaf, Tanta, Gharbiya governorate.
17 October, 2007	Government bulldozers accompanied by police destroyed forty five homes and forcibly evicted residents of Kafr Elw, Helwan, claiming they had no legal title to their land and homes (Carr 2007).
February 2010	Forcible eviction of 67 families in Giza (*AllaboutEgypt* 2010).

[42] Al Marj was under the authority of the Ministry of Endowments, whose role radically changed since the 1990s whereby its main goal was to attract private investors to properties that fell under its authority. This new role has resulted in the eviction of squatters from endowment (*waqf*) lands. For more on Al Marj in the 1970s, see Abu Lughod (1971: 157).

[43] In March of 2009, some of the residents and artisans of Cairo's tourist core in Khan Khalili targeted tourists with Molotov cocktails. Often these responses are meant for the government as a way of resisting eviction and the loss of livelihoods.

Sources: Various Egyptian Daily newspapers and the Land Centre for Human Rights News Releases.

On 5th October 2010, the Secretary General of Amnesty International warned the Egyptian government about the risks that the implementation of *Cairo 2050* carried for the poor and their options for adequate shelter and work. He wrote that the displacement of 33 settlements in Cairo and in Giza and their relocation in the outskirts of Greater Cairo by 2015 had not taken into the consideration the concerns of residents. The Secretary General of Amnesty International pointed to the case of Manshiet Nasser and how the 14,800 residents were not consulted about the relocation plans.[44] Many families of Manshiet Nasser were not offered alternative homes until many months later and even then the location of new homes were far from their work places and their communities (Amnesty International 2010; Stop Land Grabbing Campaign 2010).

Another case of forcible relocation which was part of *Cairo 2050 Plan* will affect 150,000 residents of Al Warraq and Al Dahab Nile Islands. The government intended to turn these islands into green spaces for tourists by removing the existing residents, in the name of 'public utility' (ECHR 2001).[45] As recently as 2011, 8,000 residents of Imbaba (Giza governorate) were threatened with eviction by the state (LCHR 2011a). Imbaba is indeed an old and crowded district in the Greater Cairo Region and a significant portion of its housing stock is either vacant or closed. Over 95 per cent of the houses are owned by the private sector and landlord tenant relations are still determined by the old rent control laws (AMCHAM 2007: 142). The forced

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[44] Manshiet Nasser at the foot of Moqattam Hills had its origins in the 1970s when a group of rural migrant workers established their temporary homes there. Given the absence of government housing for workers and equally absent employer supplied housing, the government turned a blind eye to the expansion of Manshiet Nasser at the time. The location was not suitable for housing because it was also home to limestone quarrying for the construction industry and safety standards for housing were not observed for the informal settlement. However, construction workers who resided in Manshiet Nasser had no other option for safe housing and thus remained there until the 2000s, living through various housing disasters. The state continued to ignore the housing needs of these workers until the 1990s when disasters were used as a pretext for forcibly removing them and relocating them far from work, services and amenities (LCHR 2004: 92-109).

[45] Former Housing Minister Mohamed Ibrahim Soleiman and ex-Prime Minister Atef Obeid both argued that the islands belonged to the government as residents did not have deeds to claim their lands and homes. The government plans to offer the land to investors to build luxury housing and tourist resorts. The government decree violates the laws that require protection of agricultural land. Most of the island lands are fertile land producing vegetables for Cairo (Shahine 2001).

evictions of residents of Imbaba will in effect dismantle the old rent control laws and open up the way for the imposition of the new rent control law.

Incidents such as fires and collapsing buildings provide a pretext for mass evictions without compensation or the provision of alternative housing for residents of informal areas. In other instances, informal areas where disasters have struck, serve as an opportunity to make a profitable bid for land by real estate developers. The most prominent is the community of Moqattam Hills in Cairo. On the morning of 6 September, 2008, a landslide destroyed part of the Duweiqa informal settlement at the foot of Moqattam Hills. The disaster buried whole families alive, destroyed over thirty five homes and resulted in the death of hundreds. Over 500 families were left homeless after the disaster (Saleh 2008). Prior to the disaster, the government had marked the community as 'unsafe' and promised alternative housing for the residents. However, according to residents, corruption amongst the local authorities prevented them from receiving the houses (Singer 2008). Residents stated that some units were "sold for 70,000 Egyptian pounds or near $13,000, or rented out for $73 per month. An average salary for an Egyptian civil servant was just under $100 per month" (Tahawi 2008). In the end, only 31 apartments were handed out to residents.[46] The authorities forced hundreds of families to move into a so-called 'temporary' camp nearby (Elyan and Carr 2008). Most residents became homeless and lived on the streets before finding their way into other informal settlements.

Investigations into the cause of these collapsed housing structures revealed that, contrary to the claims of the government, it was not the low quality of the housing that was responsible for the landslide, but rather the building of luxury housing developments at the top of the Moqattam Hills by the Dubai real estate developer, Emmar Misr (Woods 2008). It is believed that government officials bought state land at very cheap prices and then sold it for huge profits to Emmar Misr to facilitate this development (Hussein 2008). This gated community – the 'Uptown Cairo' project – consisted of eleven villages over 4 million square meters in the Hills

[46] According to Egyptian Centre for Housing Rights, in 2001 the government destroyed 25 houses in the district without prior notice, claiming that it was illegally constructed on state land (Egyptian Centre for Housing Rights 2001a).

and included private clubs, golf courses, swimming pools and hotels.[47] Waste-water leaking from the gated communities of Moqattam Hills had caused the fragmentation of limestone, leading to the landslide. A number of experts argued that the over-use of water for such green spaces will continue to result in rockslides and more destruction for the poorer residents of informal communities at the bottom of the Hills (El-Sayed 2008a, 2008b).

After the fatal rockslide of 2008 in Cairo, a total of 9,100 families from Manshiet Nasser were moved to Al-Duwayqa and Al Nahda City in the north of Cairo. Another 2000 families from Old Cairo were moved to 6th of October City. In both cases, residents were not offered documents to guarantee their tenure in their new homes and thus left them prone to further evictions. The difference between their old informal houses and new ones was that in the new ones they lacked access to their jobs and were disconnected from their old communities and therefore had to start all over again to create a support network, which are crucial in informal settlements.

In other cases of building collapses, contractors violated building standard and safety codes while local officials turned a blind eye. For instance, on October 8th, 2008, a four storey building collapsed in Alexandria killing at least 12 and leaving another 15 missing in the rubble (AFP 2008). The building's owner had violated housing regulations by adding two extra storeys to a building which was already in bad shape. This was the third building collapse in this district and such incidents were quite common around the country as builders violate housing regulations and municipalities willingly neglected to enforce regulations. In 2005, a six storey building had collapsed killing 19 and in December of 2007, 35 died when a 12 storey building collapsed, both in Alexandria.

The *Cairo 2050 Master Plan* thus offered a great opportunity for investors and land speculators to make huge profits as informal settlements were demolished and highways, high rises, parks and commercial centres were built across the Greater Cairo Region. In anticipation of such large scale urban renewal, land prices skyrocketed. As Neumann (2009) pointed out, "the 2007 average price per square

[47] Emmar Misr has planned and developed some of the biggest luxury gated communities and one of the biggest shopping malls in Egypt. The developer has acquired vast tracts of prime real estate across Egypt.

meter for a finished home on Cairo's outskirts is listed at $800 (LE 4,416) – up from $150 (LE 828) only three years prior." The benefits of *Cairo 2050* based on the above mentioned cases, will not be flowing to residents of informal settlements. Various NGOs and organizations defending housing rights, such as Amnesty International, the Egyptian Centre for Housing Rights and the Habitat International Coalition, Housing and Land Rights Network, have denounced the forced eviction of slums and shacks' dwellers and asked the Egyptian government to prevent such forced evictions and protect its citizens.

The Battle Over Property Rights

This failure of a liberalized housing market to resolve the housing crisis can be understood once we take into account the complex nature of property rights that existed in urban areas and the political nature of the battles surrounding the redefinition of urban property rights since 1991. The crisis of housing was embedded within a larger struggle over property rights in urban Egypt. The outcome of this struggle was a generalization of market dependence amongst the popular classes. On the one hand, the elimination of informal housing and Nasser era rent controls represented a strategy of eliminating non-market access to housing, particularly for lower income Egyptians. At the same time, the promotion of home ownership through private mortgages strengthened the institutional power of finance capital and made Egyptians increasingly dependent on the market for their access to housing.

Proponents of housing market liberalization argued that the housing crisis was linked to socialist era rent control laws and other regulatory and redistributive state policies.[48] Rent control laws were blamed for creating disincentives for the private sector, thereby discouraging landlords from building new units and improving existing ones (Feiler 1992; McCall 1988). They also argued that rent control forced landlords to seek compensation between the market rent and regulated rent levels by

[48] Some scholars linked the housing crisis to the rise in population, See McCall (1988: 151-66).

resorting to key money (Mostafa 2003).[49] The result was a shortage of supply and an increase of demand for affordable housing.

These critics argued that the solution to the housing crisis was the liberalization of the housing market – resulting in liberalized rents and housing prices – and the removal of state's regulation of the rental market and its direct role in the provision of housing (McCall 1988). It was argued that the private sector should be encouraged to carry out production of housing and the state should limit its role to supplying land to the private sector (McCall 1988: 156).

Another important step towards resolving the housing crisis was to formalize informal housing by empowering residents to purchase their own homes through private forms of financing. For de Soto (2000: 34, 254), the success of a market economy was particularly linked to the integration of the assets of the poor into the realm of the market, a process he referred to as the transformation of 'dead capital' into 'live capital', which he estimates at a value close to $US 241.2 billion, or 30 times the value of all shares on Egypt's Stock Exchange.[50] De Soto (2000: 16) saw an opportunity for financial markets in countries where informal property systems could be absorbed into the chain of value and generate a surplus for investors:

> Formalization creates the rights, obligations, and legal instruments that enable the owners to relate to government and private business. It provides the mechanisms whereby the most important assets of the informal sector, namely real estate and businesses, can be used to secure the provision of goods and services, especially credit and infrastructure. Formalization transforms its beneficiaries into individually accountable customers.

[49] Among those who rented between 2001-06, over half paid key money (USAID 2007: 37). Law 4/1996 also allowed landlords the right to charge advance rent for a number of months in order to ensure that the tenant had the ability to rent the place, which was in a sense legalizing the key money by recognizing the sole power of landlords over tenants (Global Property Guide 2006). This exposes the false claim that rent control laws of Nasser encouraged key money and that rent liberalization would end the practice of key money (see Feiler 1992; Malpezzi 1998: 774-77). What seems to have happened is a change in form not in substance as landlords continue to exercise their power over tenants, before under the informal title of key money and now with the legal backing of Law 4/1996.
[50] Based on a 1998 survey by the ECES and the Institute of Liberty and Democracy (ILD), de Soto argues that the extent of informal rural and urban real estate value is close to US $240 billion, which constitutes 64 per cent of total Egyptian real estate assets. Thus, close to 90 per cent of the population of Egypt "lives and works in informal dwellings and over 80 per cent of the rural population lives on informal holdings" (De Soto 2001: 25).

In June 2001, the Egyptian Assembly passed the Capital Market and Real Estate Mortgage Law 148 which extended rights for issuing mortgages to both bank and non-bank lenders. The Law provided clear procedures for foreclosures as well. In 2002, a further attempt to boost the land market was made through reduction of registration fees for properties. The Mortgage Finance Law (MFL) was adopted in 2003. The mortgage facility, which remained underdeveloped throughout the 1990s, became the central of focus of Nazif's government. In 2004, another law passed that allowed the issuance of mortgage backed securities.[51]

Although the prime objective of the MFL law (2001) was to buoy the real estate market that had collapsed in 2000 (evidenced by thousands of vacant residential and commercial properties), the persistence of high levels of unemployment and the high levels of down payments meant that the mortgage market remained beyond the reach of lower class Egyptians, as well as civil servants, doctors and teachers who live on fixed incomes.[52] By 2005, four years after the introduction of the MFL, only two mortgage firms were established, offering only a dozen loans during those four years. Only 12 per cent of the properties across the country were registered by 2005, leaving financial firms in a weak position to offer credit or loans without guarantees of foreclosure and collateral (Sobhi 2005).[53]

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[51] Some of the major real estate developers (e.g. Palm Hills Development and SODIC) have argued that the only way for their businesses to remain viable is for the government to popularize and facilitate mortgages. Developers believe that they might be close to reaching the limits for luxury housing and for them to make inroads in middle income housing, mortgages are an essential component. In 2010, "Mortgages make up less than half a per cent of GDP, compared to 14 per cent of GDP in Morocco or over 80 per cent in Britain in 2008. Total mortgages in Egypt stand at 4.5 billion pounds and represent no more than 75,000 customers." See: (Zayed 2010).

[52] See: (ECHR, 2002; United Nations 2000; Wahish 2002).

[53] By 2000, real estate assets of 92 per cent of property holders were unregistered and without titles (Ikram 2006: 288). After the housing crisis in the US, the Egyptian government confidently argued that the Egyptian economy was safe from any such developments given that mortgages were not well developed and the economy was not based on mortgages. See: (Nafie 2008). By July 2010, there were 13 mortgage companies in addition to the Egyptian mortgage refinancing company. Total issued capital of companies stood at LE 1,496.5 million with 73 per cent of the mortgages concentrated in

According to Moheeb and Oteify (2006), the slow uptake of mortgages was the result of a confusing system of landownership; the existence of high registration fees on property; the absence of a credit bureau; and administrative and legal difficulties regarding the process of foreclosing. The success of the mortgage law would entail radical changes to the Civil Code, particularly Article 1052 which bans the confiscation of property. The government found ways of exempting banks from this requirement so that they could repossess mortgaged property in case of non-payment.[54] Why mortgages were doomed to tackle the problem of affordable housing? During one of my interviews in Mallawi, an Upper Egyptian city, I was told that mortgages were not aimed at the majority of Egyptians for two reasons: first, many residents of Upper Egyptian governorates relied on non-bank mechanisms for financing their needs by relying on community savings schemes; second, credit from official banks was out of reach of ordinary citizens given the interest rates of 30 per cent or higher and the conditionality of such credit on existing employment or property (Joya 2008).

In the period 2001-06, over half of the housing acquired for purchase was through the informal sector (USAID 2007: 37). Under the old rent control law, the housing market was dominated by rental of apartments, a situation that Law 4/1996 intended to reverse by promoting home ownership (USAID 2007: 34). Proponents of liberalization argued that with higher rents, residents would prefer to purchase a house supported by mortgages. However, between 2001 and 2006, of the 10 per cent of those surveyed who had acquired housing, only 18.8 per cent had opted to purchase their houses while the remaining majority relied on the rental market (USAID 2007: 38). To USAID, this slow rate of home ownership was the result of an absence of adequate sources of financing, given that those who purchased their homes relied on personal savings or the sale of property.

In urban Egypt, there have existed five main forms of property rights. However, each category has been further subdivided and qualified by laws that were

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Sixth of October governorate while the remaining 27 distributed among the rest of the governorates including Cairo. See: (Ministry of Investment 2011).

[54] Through the Mortgage Finance Law, the government created a third party to resolve the foreclosure disputes. Thus property appraisers would re-appraise property, determine its market value and sell it at auction.

passed under different regimes. Two centuries of various urban land policies resulted in the following forms of property:

Table 8.5 Urban Land Tenure Forms

Tenure Form	Characteristics
Leased Land	Land owned by the state and leased on a long term basis to its occupants. Squatters may be granted this status, if they make a request to the Governorate. Land that remains permanently under leasehold status and cannot be sold is known as hekr land. Other leased lands can be converted from public to private ownership following the end of the lease period.
Trust or *Waqf* Land	It consists of property set aside for charitable or religious purposes and is usually administered by the Ministry of *Waqf.*
Wad Al Ayad	The civil code makes it possible for the possessor or user of a plot of land to gain ownership of that land if it is occupied continuously for 15 years and if the owner does not assert his rights.
Private ownership or Freehold	Private ownership or freehold.
Public Ownership	This land is registered as state property or land owned by the state which serves a public purpose. It includes governorate, *Amlak* land, land reform, antiquity and military properties. Ownership of land by the government in its various forms (public, *Waqf* and leased land) is the prominent type of ownership in Egypt as the government owns all the desert land.

Source: Mostafa El Araby (2003: 444).

According to this web of property forms, private property, rather than being the dominant form, remains one among many other forms of property. Since WWII, various rent control measures were adopted that provided security of tenure for urban tenants against evictions while giving tenants the right to pass on their leases to their children, spouses and other relatives (to the third degree of relation), with the condition that the inheritor had resided with the lease holder for one year prior to his/her death. Workers' access to housing was thus guaranteed by the rent control laws of the 1950s and 1970s, according to which rent levels were fixed and leases and contracts were transferrable to heirs, giving workers a sense of security. The significance of rent control laws for workers becomes clear from the following excerpt:

> By giving tenants and their rightful heirs, including close relatives, a life- long right to hold onto a rented property, the housing laws of Egypt practically allowed tenants to share in property rights, especially if property is thought of as a bundle of rights, rather than a single one...In Egypt, it is preferable to be a tenant, in agricultural land and in housing, because of frozen rent rates (Harik 1998: 61).[55]

However, despite having such security for shelter, rent control laws did not offer permanent security of tenure.

After 1991 radical changes in workers' rights to housing were implemented as the government began a process of liberalizing the housing market in the context of neoliberal reform. The Supreme Constitutional Court (SCC) played an important role in liberalizing land and housing markets by striking down Nasserist rent control laws as unconstitutional and upholding the rights of private property over other forms of property. For instance, in 1995, the SCC declared article 29 of Law 49/1977 unconstitutional, which meant that rental contracts could no longer be extended to relatives to the third degree by marriage as this would be an "infringement on the rights of private property of the landlord" (Moustafa 2003: 911). This prepared the way for the passing of Law 4/1996 which ended rent control and its application to new buildings and to contracts that ended in 1996.[56]

Taking effect on January 1, 1996, Law 4/1996 was applicable to rental contracts that ended in 1996 and to all new contracts that began in 1996. The Law cancelled any previous laws (Law 49/1977 and Law 136/1981) that opposed or contradicted any articles of Law 4. With the launch of Law 4/1996, rent control was dismantled as part of a larger process of creating a free market in housing and upholding the rights of capital over labour. Law 4, which regulates new rental

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[55] For more on rent control benefits to workers see: McCall (1988: 162-63).

[56] Beside attacking socialist laws on residential tenancies, the SCC dismantled rent control for commercial contracts in 1996 and 1997. As a result of these rulings commercial contracts were liberalized and were subjected to market rents and they were no longer inheritable by children or partners of original tenants. The changes in the terms of commercial contracts affected more than 800,000 commercial tenants who had lost their rights for secure contracts by 1997 (Moustafa 2003: 911-12). The rulings in regard to commercial property subjected small businesses to market forces and thus facilitating the transfer of property to powerful landlords.

housing and units not previously rented, tied the rent to the Civil Code, i.e., freedom of contract between the landlord and tenant according to the principles of supply and demand. The Law offers no protection to the tenant. The rental relationship between the landlord and tenant completely terminates at the very moment the contract period ends. For the most part, the landlords resort to setting the contract period at one year, thereby giving the landlords the right to either raise the rent at the end of that year as much as they like or evict the tenants (El-Batran 2004).

Despite the implementation of Law 4/1996, based on a USAID survey, two main tenure types dominated the urban housing market in Greater Cairo region: rental housing falling under the Nasserist era rent control laws (44 per cent in 2006) and old rental laws (27 per cent in 2006) (USAID 2008: xvii). Rental units falling under Law 4/1996 – and therefore subject to market rents – were still very limited at 9 per cent (ibid.).[57] Residents continued to rely on informal means for finding information about available houses for rent or purchase and used personal savings for purchasing homes.

Given that Law 4/1996 subjects all newly constructed property to market rents, slum upgrading schemes become a mechanism to wipe out rent controlled property in informal settlements while opening up the possibility of constructing new housing subject to competitive rents. Similarly, New Towns built after 1996 are subject to free market rents, which explain their lack of attraction for workers. In this sense, urban development in the neoliberal era is characterized by two complementary class based processes: accumulation by dispossession and the imposition of market imperatives through the creation of a generalized condition of market dependence.

The Scramble For Public/State Lands

In the final analysis, the transformation of state property into private property was not only transforming the physical landscape through the creation of luxury villas and gated communities. This process of change was also creating new social relations whereby public resources such as water and especially land, are concentrated in the hands of a few for the benefit of a few. According to Khaled Ali, a labour lawyer and

[57] The remaining 8 per cent include purchase from the government and in-kind privileges (USAID 2008: xvii).

head of the Egyptian Centre for Economic and Social Rights, under Mubarak, the promotion of class-based property laws intensified class conflict in the country. While many lived in informal settlements and cemeteries under constant fear of evictions by the state, a small minority benefited greatly from the liberalization of the housing market (El Wardani 2011b; Reuters 2011c).

While the constitution recognized different types of property rights, since the shift to neoliberalism, the government overlooked this constitutional right of citizens through its land dispossession practices.[58] For instance, in 2001, Prime Ministerial Decree No. 542 was issued to evict 80,000 residents of two neighbouring islands – El Qorsaya and El Dahab – in order to make way for a tourist complex.[59] The court ruled against the Decree stating that it was a misuse of prime ministerial power. While the 5,000 residents of El Qorsaya were relieved for the time being, a neighbouring island, El Dahab, was under similar attacks by the government. Despite the court's ruling in favour of El Qorsaya residents, the residents' rights to their land and homes were not recognized by the state, leaving them in fear that they might eventually be evicted. The Island's land is considered prime real estate that the government wanted to turn into a tourist complex (Hassan 2001). The government sent in bulldozers and the army to occupy parts of the island and to facilitate the construction work (Carr 2008c). The dispossession of islanders, slum dwellers and Bedouins under the rubric of 'public utility' resulted in a direct transfer of expropriated lands to investors for touristic projects or other high end developments.[60]

Let us consider another example where the customary tenure rights were subordinated to rights gained by private land developers. Prior to the 1990s, Dahab – a small town on the southeast coast of the Sinai Peninsula – was known as a small Bedouin fishing village, however since 1991, Dahab turned into a magnet for land developers leading to on-going unresolved conflicts over property rights. Most of the

[58] Hamzawy pointed out that Constitutional Amendments under Mubarak and Sadat gradually removed references to socialism, alliance of working forces and the leading role of the public sector in development (Articles 4, 12, 24, 30, 33, and 56 of the Constitution). See: Brown et al. (2007).

[59] The Decree stipulated that the island of El Qorsaya and neighbouring El Dahab were to be cleared of their inhabitants, making way for a project described as being of 'public benefit'. See: (Hassan 2001; Carr 2008).

[60] Bedouins in Sinai argued that since the 1990s, the government took over their land and transferred them to investors for tourist projects. Bedouins saw this a clear violation of their rights and after the fall of Mubarak in February 2011, they began reclaiming what they considered was stolen land and property. See: (Amer 2011).

conflict surrounded public/state lands which in Dahab rested under customary tenure. The conflict pitched Bedouins against local government officials and land developers. As local governments tested their newly gained authority to dispose of public/state lands to investors, Bedouins' right to land came under direct attack. While prior to the 1990s investors had engaged in land transactions with the Bedouins, in the context of a liberalized land market, investors were encouraged to deal directly with local government officials and land deals between Bedouins and investors were no longer recognized as legal. Over the course of the 1990s and 2000s, Bedouins lost control over their land and waters as developers moved in to build hotels and villas. The rush of developers created a property boom which benefited local government officials through land sales. Land prices which were at LE 10-30 per sqm in the 1990s reached LE 300-600 per sqm in 2006. However, there was no trickle down benefits of such developments to local Bedouins. Instead, locals experienced the uneven development of their village whereby coastal areas experienced heavy investment levels while inland areas were ignored, a problem that was not unique to Dahab but extended to all the Sinai region (World Bank 2006).

While tenants demanded their property rights to be recognized by the state, the state often acted arbitrarily in regards to recognizing other forms of property rights. The Constitution's Article 4 recognized and offered protection for all forms of property.[61] However, the actions of the state under Mubarak disregarded this constitutional right of workers and peasants as other rights were trumped in the interest of upholding the rights of private property as happened in the case of the two Nile islands. The government refused to extend legal titles to those who had customary rights to land and opted to evict them, while extending free hold deeds to investors for thousands of feddans of state land transferred to them. This shows that titling is not simply a technical issue, but rather a political one that involves losers and winners.[62]

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[61] Article 4 of the Constitution states that: "Economy in the Arab Republic of Egypt is based on the development of economic activity, social justice, guarantee of different forms of property and the preservation of labourers' rights" (Constitution of the Arab Republic of Egypt 1971).

[62] Razzaz (1993) criticizes USAID's and de Soto's arguments that the legalization of property rights provides security of tenure and results in increased investments by residents. Razzaz found that legal property rights did not mean security of tenure, especially when home owners feared the loss of their homes due to inability to make mortgage payments (a common scenario in most Middle Eastern

Thus, contrary to de Soto's argument that the registration and titling of property was a step towards empowering the poor in this case, registration was not a mechanistic act of listing one's property. In an environment where various forms of property exist, the act of registration usually results in the dispossession of some and therefore the whole process was avoided by tenants or property holders. As Sait and Lim (2006: 78) point out:

> Registration may not be chosen because it is difficult to bring the prevailing local forms of land tenure within the officially recognized categories, or because the state refuses to register land ownership which challenges or impedes the state's own development plans.

As the cases of Talaat Mostafa Group (TMG henceforth) and Palm Hills Development (PHD henceforth) demonstrated, the winners of this bonanza of state land privatization were a small number of development companies whose members had strong ties to government.[63] The TMG and PHD companies were the biggest beneficiaries of land market liberalization. In 2007, with a land bank boasting 50 million square meters of land, TMG was the biggest real estate developer in Egypt. Its projects included Al Rehab City (over 9.9 million square metres of land) and Madinaty, the latter launched in 2006 over an area of 33 million square metres (England 2007; Denis 2006: 54-55).[64]

Madinaty was a signature PPP scheme that belonged to TMG, a major land developing company that had received 3,350 hectares of unserviced public/state land free of charge (World Bank 2006b: 61). In exchange for the free land, TMG had

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countries with precarious nature of jobs and low wages for the majority). Underlining the value of policies such as rent control in extending security of tenure, Razzaz (1993: 349) wrote: "A tenant in Cairo in a rent-controlled apartment might have more security of tenure than a first-time home buyer risking to default on his or her mortgage payments." Whatever the nature of transforming land relations and titling, one has to recognize that rather than being merely a technical issue in need of resolution, it is a political process that will result in winners and losers. For a general critique of de Soto's understanding of the relationship between property rights and economic development, See: (Samuelson 2001; Woodruff 2001; Gilbert 2002; Miranda 2002; Ahiakpor 2008).

[63] Land transfers to the private sector often took the form of freehold or long-term, renewable lease holds.

[64] Madinaty designed by three American firms, includes residential villas, townhouses, apartments, as well as recreational and commercial areas, schools, medical facilities and hotels. It aims to cater to a population of 600,000 (Mostafa 2007).

agreed to install internal infrastructure services while NUCA was to deliver water supply, sewerage and roads. NUCA was also to receive 7% of the total cost in the form of housing units from TMG once the project is completed.[65]

In 2008, Hisham Mustafa, then Chairman of TMG, was the Deputy Chairman of the Shura Council's Economic Committee, and a member of the ruling National Democratic Party's Supreme Policies Council. Tarek Talaat Moustafa, the current chairman of TMG was a member of parliament and headed the parliament's housing committee.[66] In 2010, a court scrapped a US$3 billion land deal for Madinaty because it was obtained without a public auction (*Al-Ahram Weekly* 2011b). Illicit gains investigations indicated that Mubarak's sons had shares in Madinaty which explains why TMG acquired such vast tracts of state land under Mubarak.

PHD was founded in 2005 by Yaseen Mansour, the former Transport Minister, and Ahmed El Maghraby, the former Tourism and then Housing Minister.[67] It is considered the second largest real estate developer despite only having been around for six years. Their total land bank stood at over 48.3 million square metres by 2008 while the Company's market value was LE 19.5 billion in March 2008.[68] Its projects are located in 6th of October City, New Cairo, Cairo-Alex Road, and the North Coast. The Company acquired its land at very cheap prices while its products served only the rich by providing luxury housing.[69] PHD was entangled in a number of court cases due to the illegal nature of its land acquisitions. The Company rose to prominence due to its links to Mubarak's family. Mubarak's son, Alaa, held LE 49,535,000 worth of shares in PHD (El-Karanshawi 2011). PHD greatly benefited from the

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[65] In 2008, TMG profits reached LE 875 million. TMG signed a 50 year lease on a 19,589 square-meter piece of land with the Holding Company for Tourism and Cinema, a deal that was worth LE 830 million. TMG also won the right to build a 5 star hotel, as well as a Nile cruise ship (Hafez, Schurgott et al., 2008).

[66] In 2008, Mustafa was charged with the murder of his Lebanese pop star lover (Essam El-Din 2008b).

[67] See: Palm Hills' website: http://www.palmhillsdevelopments.com.

[68] According to the Palm Hills website, Yasseen Mansour became Chairman of PHD's Board of Directors in January 2005. He was previously president and CEO of Mansour and Maghraby Investment and Development Co. (MMID), as well as being a founding member and chairman of Manfoods, which operates the McDonald's franchise in Egypt. Mansour also acts as chairman of Mantrac, Untrac, Credit Agricole Egypt and Royal Sun Alliance Co. (Egypt), in addition to being a board member of the Commercial International Life Insurance Co. (CIL) (www.palmhillsdevelopment.com).

[69] Fifty per cent of the company's housing ranges between LE 500,000-1.5 million and the remainder is classified luxury which is over LE 1.5 million. See: (www.palmhillsdevelopment.com).

liberalization of the land market as it has seen the value of its land bank rise exponentially, gaining one billion dollars in value in a single year.[70] Palm Hills Development became the subject of public criticism for its land acquisitions at below market values in a number of instances since 2007(*Al-Ahram Weekly* 2010). Ahmed Al Maghraby, former Housing Minister and one of the founders of PHD, was charged for selling to PHD state land below the market value (Aljazeera English Online 2011; El-Wardani 2011a). By March 2011, Palm Hills Development and Maghraby were under investigation over another state land deal in Aswan (*Al Masry Al Youm* 2011a; *Reuters* 2011a). The cases of Palm Hills' and TMG's illegal acquisition of state lands were not exceptions, although these may involve vast amounts of state land; other companies were involved in purchasing land below market value, often in closed deals and without public auctions, and violating the terms of their contracts by using agricultural land for real estate development and therefore increasing their earnings.

Some of the other major cases involving the illegal acquisition of state lands and the deep ties between government officials and businessmen became public from 2008 onward. For instance, in 2008, Ahmad Bahgat's Dreamland project was brought to a standstill when the land allocated for his company was repossessed by the government for Bahgat's violation of the terms of his contract (Hussein 2008a). In 2009, documents surfaced demonstrating the involvement of businessmen and government officials in illegal acquisition of thousands of acres of land in Kafr El Sheikh Governorate (Shalabi 2009). In the aftermath of the fall of Mubarak's regime, a string of other cases surfaced involving top government officials and real estate developers. The Egyptian Centre for Economic and Social Rights filed a law suit against the Amer Group for illegally acquiring 2.8 million square meters of land in Fayoum Governorate for a luxury resort project. The land was allocated to Amer Group based on a 99 year concession, by direct order and without public bidding (Farouq 2011).

[70] According to El-Wardani and Hussein, "By October 2009, CB Richard Ellis (world's leading commercial property and real estate services adviser) evaluated the market value of PHD's properties at EGP 38.1 billion (US$6.9 billion), with an increase of 15 per cent over the previous valuation a year earlier, with almost no increase in the land bank, according to a press release by PHD." See: (El-Wardani and Hussein 2010).

In May 2011, former Minister of Tourism, Zohair Garana was sentenced to five years in jail for wasting public funds after he authorized the sale of state owned lands at well below the market price in the Red Sea tourist destination Hurghada (Abo Shanab 2011). In another case, 35 former members of parliament were forced to return illegally obtained state lands (Shalaby 2011; Shalaby and El Badry 2011). In a more prominent case, former Housing Minister, M. Ibrahim Soleiman was accused of selling 2550 feddans of state lands in Sheikh Zayed at below the market price to the Sixth of October Development and Investment Company (SODIC henceforth). As it happened, the chairman of SODIC at the time of this land deal was no other than the businessman Magdi Rasekh, the father-in-law of Mubarak's son, Alaa. Both Soleiman and Rasekh were referred to criminal court in May of 2011(*Al Masry Al Youm* 2011b; *Reuters* 2011d). Most of these cases were brought into the open only after the downfall of Mubarak. It is still too early to estimate the scale of such illegal transfers of state lands to private investors (Nasr 2011).[71]

Conclusion

In the context of the shift towards neoliberalism, the privatization of the state enterprises repositioned the public sector's workers by rejecting their claims to benefits and fair wages from the state. Further attacks on workers' rights were seen in the dismantling of rent control laws which occurred due to demands of the new ruling class constituted of land developers. The dismantling of rent control offered a bonanza for capitalists who could charge unregulated rents for urban housing.

Thus, the passing of Law 4/1996 constituted a political project of expanding the power of a new ruling class and subordinating workers' interests. As such, the last two decades of Mubarak's rule witnessed a systematic transfer of land to the emerging ruling class with the support of security and police forces. As the chapter demonstrated, moving beyond the veil of neoliberal ideology, one clearly sees that the

[71] A notable development, in July of 2011, was the acquittal of Palm Hills Development and the former Housing Minister Maghraby by the courts. Whether officials or investors involved in illegal state land deals would be brought to justice and whether such lands would be repossessed is a matter that would be determined by the Egyptian public pressure and the court system. See *Ahram English Online* (2011c).

creation of 'free markets' in housing did not meet the demands of workers. Shortages in affordable housing have continued while the old public housing structures became dilapidated and unsafe for urban residents. Under these circumstances, slums and informal areas have continued to offer the only viable choice for those in search of housing in Egypt's major urban centres. The liberalization of the housing market underlined an important aspect of accumulation by dispossession as workers no longer enjoyed affordable rents or secure leases. Over the course of the 1990s and 2000s, workers increasingly became market dependent for their housing needs being forced to compete for free market rents in an increasingly shrinking rental market. The next chapter examines rural housing in the context of a strategy of accumulation by dispossession that transformed social relations in rural areas.

Chapter 9. Peasants, Property Rights and Housing

Perhaps the most influential Law that affected rural livelihoods and rural shelter was Law 96/1992 which came into effect in 1997 and resulted in the privatization of Egyptian agricultural sector. The Law set the stage for the transformation of social property relations by shifting power to landlords and entrepreneurs and away from peasants and tenant farmers. Law 96 removed rent controls and input subsidies for small farmers and peasants resulting in the dispossession of over one million peasants and small farmers and subjecting many others to short-term contracts and market-based rents resulting in indebtedness. This chapter examines the changes in rural housing, especially the destabilization of peasant housing as a result of Law 96. In the first section, I discuss the context for the launch of Law 96 and the debate surrounding its launch. In a second part, I discuss the changing nature of property rights due to implementation of Law 96 and a shift in the balance of power in rural areas. In part three, drawing on the rich documentation of Land Centre for Human Rights and my own interviews with villagers in various governorates, I attempt to demonstrate the impact of Law 96 on rural housing.

As suggested earlier, the Mubarak era provides ample evidence of a widespread reversal of the agrarian reforms of the Nasser period. The result of these developments has been a large-scale transfer of land from peasants and small farmers to big landlords accompanied by a loss of housing experienced by those who have lost their lands.[72] At the same time, traditional forms of property (*Wad el Yad)*[73] have been dismantled along with traditional use-rights that gave Egyptians non-market access to land. In general, peasants and small farmers are experiencing an intensification of economic insecurity and have been forced – out of economic necessity – to work for hourly or daily wages on the lands of others. With the loss of subsistence, their daily wages could not meet their cost of living forcing many to send

[72] The changes in tenancy regulations resulted in an upward redistribution of land whereby 7 per cent of the landed elite owned 60 per cent of land (Farah 2009: 81).

[73] *Wad el Yad* is a form of communal land tenure that was acknowledged by the Ottoman rulers of Egypt in the process of state formation in Egypt. In the contemporary context, it also refers to state lands which, if occupied for fifteen years uninterrupted and with no claimant, could be considered as owned by those who worked it under the 1949 Civil Code. However, most owners lack documentation to prove such ownership.

their children and women to work for bigger farms, a trend that has become dominant as agribusiness projects proliferated across the country. The response of the state vis-à-vis the rural housing crisis has been twofold. On the one hand, by ignoring the needs of dispossessed and evicted peasants for alternative housing, the state positioned itself against the peasant communities. On the other, the state became the primary agent of dispossession by sanctioning the use of violence and employing its security and police forces in defence of local landlords.

Agricultural Liberalization and the Transformation of Social Property Relations

The liberalization of the agricultural sector embodied in Law 96 was part and parcel of the government's economic development strategy after 1991. Official arguments framed the liberalization proposal by highlighting the weaknesses of agricultural sector and its low contribution to GDP, however, liberalization was aimed to fundamentally shift the role of the state in agriculture and transform the existing property relations so as to make way for private investors and agri-business developments in Egypt.[74] As Table 9.1 shows, the Nasserist reforms of the 1950s and 1960s had reduced the concentration of land through its redistribution to peasants and farmers and securing their rights through rent controls. The fundamental goal of the proponents of reform was to re-orient the relationship of the state vis-à-vis peasants and small farmers by targeting state protections for the latter.

Table 9.1 Sizes of Landholdings, 1950 and 1985-87

Size of landholdings (fed.)	Share of landholdings (per cent) 1950	Share of agricultural land (per cent) 1950	Share of landholdings (per cent) 1985-87	Share of agricultural land (per cent) 1985-87

[74] For instance only two years prior to the implementation of Law 96, proponents of agricultural reform pointed out that agriculture absorbed 34.5 per cent of Egyptian manpower, while contributing only 19.3 per cent to Egypt's GDP, which was seen by the Egyptian authorities as a sign of 'unproductivity' (NBE 1990; 1992).

100 and more	0.7	29.7	0.3	9.8
50- <100	3.4	22.3	0.12	3.0
10- <50	5.2	11.5	2.72	18.2
5- <10	12.2	13.3	7.0	16.6
3- <5	16.2	9.8	13.4	17.8
1- <3	40.9	11.6	44.43	28.6
<1	21.4	1.8	32.3	6.0
Total	100.0	100.0	100.0	100.0
Total number/Area	1,003 m holdings	6,144 m fed.*	2,468 m holdings	6,562 m fed.

Sources: (Ibrahim 2003).
*fed. refers to feddans.

Increasingly, the state control of pricing and marketing, ownership of cooperatives and agricultural industries, and support of smallholdings and traditional communal lands, were seen as the main determinants of agricultural stagnation. In 1992, a year after Egypt embarked on a path of free market economy Law 96 for agricultural reform—which took effect in 1997—was adopted. The Law liberalized rents, prices and agricultural contracts. New rents were set at 22 times the land tax, contracts were determined by landlords and subjected to supply-demand rules and land prices exploded in 1997, the year Law 96 took effect. During the transition period, tenants were given the option of purchasing their plots at an agreed price or leaving the land in return for a compensation for the remaining period of the contract. Tenants could also continue as a tenant until the transition period eventually ended (Seyam and El-Bilassi 1995: 59).

The proposed solution to the agricultural crisis was two pronged: to change the role of the state in the sector and to transform agriculture into an export- oriented sector. These reforms were claimed to increase the labour absorbing capacity of the sector as well as increase agricultural productivity and contribution to the overall

GDP (Abdel Khalek 2001; Nassar and Mansour 2003; De Soto 1999).[75] In order to attract private investors, a massive land reclamation project was launched aiming to bring under cultivation 3.4 million feddans of land between 2000 and 2017 (Nassar and Mansour 2003; NBE 1992; EIU 1992/93).

The introduction of Law 96 on June 28, 1992 was preceded by an ideological battle launched by the state media and landlords against peasants and small farmers. They portrayed peasants and small farmers as 'tyrants' who had victimized the landlords. Pro-government journalists, notably *Al-Akhbar's* Jalal ad Din al Hammamsi, argued that tenants were raking in exorbitant profits from rising agricultural prices while landlords had become poor peasants. Similarly, the ex-Vice President of the State Council argued that the land reforms of 1952 produced a "feudalism of the tenant", whereby tenants oppressed the landlords (Al-Ahram 1992 cited in Saad 2002: 108). Another justification offered by an ex-councillor of the Court of Appeal was that:

> For over forty years the tenant's pockets were filling with thousands of pounds...that he bought agricultural land and rode in Mercedes and Peugeot cars. This happened while the owner gave up half of his land for the tenant so that the latter would allow him to sell the land so he can finance the marriage of his daughter or son or to be able to pay for his daily life expenses after prices have rocketed. The balance was titled and the tenant became the owner of 70 and 80 feddans (which he acquired) from selling crops he planted on the owner's land...It is high time, especially during the reign of President Mubarak, who is known for his tendency to issue laws that are just and do not contradict Islamic Shari'a and are not imported from Communist countries, it is high time to get rid of those laws and to alleviate the injustice befalling the downtrodden citizen who have lost everything except their belonging to their country (*Al–Wafd,* 17 June 1992 cited in Saad 2002: 109).

[75] The Mubarak *National Project for the Youth*, launched in 1987, intended to distribute state lands to university graduates at a price of LE 1000 to LE 2000 per feddan, payable over fifteen years, with a grace period of four years. By early 1999, 300,000 feddans had been distributed at 5.6 feddans per graduate/settler (Nasser and Mansour 2003: 153; Bush 2002: 25).

Other proponents of liberalization attacked the tenure system that the Agrarian Reforms had introduced:

> [In the village] there are cafes everywhere and secret video clubs that show forbidden films which fellah youth watch until dawn. They thus wake up the day after unable to work and produce. I think there is a link between agrarian reform law and these negative phenomena. For the low rents make the tenant lazy and he does not exert any effort to increase his production, since the very least of produce will suffice to pay the rent and there will still be a reasonable amount that he spends on his own enjoyment [mazaq]. And no doubt if the fellah knew that he has to pay a reasonable rent for the land he will certainly exert an effort to increase his production, and no doubt this increase will be beneficial for society as a whole (*El-Gumhuriyya*, 2 September 1988 cited in Saad 2002: 109).

Resonating with the demands of landlords, the fundamental objective of liberalization was the restoration and generalization of private property rights in order to attract private sector investment to Egypt. Warning the government about delaying the passing of Law 96, Al-Hamza De'bes, the Deputy Leader of Al-Ahrar – the Liberal Party – wrote:

> I am warning the government against giving into [demands for repealing or postponing the law]. I am drawing the attention of Prime Minister Ganzouri to the dangers of responding to such calls, for this would harm investment in Egypt and would drive away investors, and discourage them from investing in Egypt. For Egypt to them will seem under the control of communists, leftists and Nasserists, those who do not respect private property (*Al-Ahrar*, January 1996 cited in Saad 2002: 119).

In its various bulletins, the National Bank of Egypt (NBE) put up a defence of rights of private property and thus rights of landlords. It argued that the state should remove all obstacles that prevented landlords from fully enjoying their rights to private property. Defending the legislation, the NBE stated that the state should liberalize economic relations and create "appropriate conditions for peaceful co-existence between landowners and tenants," as well as "fair treatment of land owners, respect for private ownership, safeguarding of property rights, conformity with the rapidly changing economic and social situation at home and elsewhere, in favour of private ownership" (NBE 1992: 215-16).

Rich farmers and large landlords viewed the liberalization process as their chance to reverse the Nasserist agrarian reforms. They claimed that rental values had been kept unfairly low, thereby reducing profits and discouraging agricultural investment. They also argued that peasants were incapable of improving agricultural production either out of laziness, incompetence or due to an absence of market imperatives. In the meantime, landlords actively undermined peasants' rights to land and tenure security by circumventing rent control laws, refusing to grant written contracts, and pushing for short-term single season contracts that remained exempt from rent control.

Those affected by Law 96 included small scale farmers such as cash rent tenant and/or sharecroppers, small tenants and owner-cultivators, and full and part-time farmers who relied on a secondary source of income. Without access to media outlets and lacking organizational capacity and resources, the latter group faced an uphill battle against landlords and the state. Peasants and small farmers believed that because they had improved the land through their labour, they had a moral and uncontested right to their plots. With this moral belief shaping their perceptions vis-à-vis the Law 96, in 1997 when the Law took effect, tenant farmers and leaseholders reacted violently by setting fire to a branch of the Ministry of Agriculture in the Nile Delta hoping to destroy official records that could establish landownership in favour of landlords. The same year, 219 meetings were called by farmers' committees. However, they did not put forward a strategy to stop the evictions.

Administrative Aspects of Law 96 and Land Disputes

Since the 1960s agrarian reforms, tenants and landless peasants had enjoyed access to land at fix rents, and subsidies for agricultural inputs. With the shift in the Egyptian economy towards a free market, the role of the state in agriculture and vis-à-vis agricultural actors (tenants, peasants and landlords) changed. The government framed Law 96/1992 within its larger economic development strategy and the need for food security in an increasingly integrated world economy. The adoption of Law 96 and the subsequent liberalization of agricultural sector were expected to boost food security as well as increase the productivity of agricultural export sector. The expansion of agribusiness in turn depended on the availability of land.

As Egyptian officials have repeatedly emphasized, only 3 per cent of Egypt's land is cultivable amounting to 8 million feddans. Of this, only 2 per cent was being cultivated using modern agricultural technologies in 2006 (World Bank 2006b: 73).[76] Thus, rather than tackle unequal ownership structures in a systematic fashion, various governments engaged in desert land reclamation projects since the 1960s in order to expand the total cultivable land stock. Although, land reclamation projects contributed 3 million feddans to agricultural land however, since the 1980s, an estimated 30,000 feddans of agricultural land have been lost to urban sprawl on the outskirts of major urban centres cancelling the positive impact of the additional reclaimed land (World Bank 2006b: 73).

After the 1990s agricultural liberalization, government and investors' attention turned to public/state lands which fell under various customary forms of tenure but were officially controlled by the state. Control over public land for agriculture and agri-business development was divided territorially along the Zimam lines. Land outside of the Zimam was under control of mainly the Ministry of Agriculture and Land Reclamation (MALR)'s General Authority for Reconstruction Projects and Agricultural Development (GARPAD henceforth). Agricultural land within the Zimam is largely privately owned or falls under the MALR's Agrarian Reform Authority (ARA), which had allocated it to small landless farmers as part of the Agrarian Reform Program (World Bank 2006b).[77]

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[76] CAPMAS stats indicated that by 2013, Egypt's total agricultural land constituted 3.5 per cent of the total land mass of the country or 8.5 million feddans. By 1964, the government program for land reclamation added a total of 5,388 million feddans to the total cultivated land of the country. By 2011, the total amount of reclaimed land had reached 8,619 million feddans (CAPMAS 2013). During the 1960s, the reclaimed land was often redistributed to landless peasants or owner-cultivators. Under Mubarak, most of the reclaimed land was distributed to investors either for the purpose of agri-business or for commercial real estate projects.

[77] "GARPAD was established by Presidential Decree No. 269 in 1975 as the main government authority responsible for public land allocation for agriculture and land reclamation purposes. ...

To make land available for investors, the government embarked on changing laws that had restricted investors' access to public/state lands. International Financial Institutions supported a reduction of state control in the distribution and managements of public/state lands which was in line with the former's support for a reduced role for the state in the economy in general. Previously public/state land was regulated by Law No. 143/1981 which was seen as the state dictating supply of land to the private sector by defining geographic locations for projects (World Bank 2006b: 75). Thus, legal changes in the management and disposal of public/state lands removed the role of the state in guiding regional economic development through directing investors in different parts of the country.

A crucial step towards this reformed role of the state in the economy was the introduction of Law 96/1992, which took effect in October of 1997, effectively replacing the Agrarian Reform Law 178/1952. The latter Law had established rent control and granted tenants security of tenure including the right to transfer the tenancy contract to heirs and thus all these gains came under attack by Law 96. The new Law gave landlords the right to take back their lands which had been distributed as part of Agrarian Reform Law. They could charge free market rents and issue short-term contracts with the advantage of raising rents annually. Ultimately, these changes directly challenged existing customary forms of tenure and access to public/state lands and Agrarian Reform lands enjoyed by peasants, Bedouins and tenants.

Within the framework of the liberalized land market, disposal of public/state lands were re-organized under a number of newly created holding companies, the largest of which was the West Delta and South Valley Development Holding Company (WDSVDHC), established by Presidential Decree No. 25/2002. By 2000s, a significant portion of public/state lands had already been redistributed to the private sector and so Decree No. 25 only applied to lands that had not been already distributed which included 100,000 feddans in the west of Delta and 265,000 feddans around the international highway along that Mediterranean Sea.[78]

GARPAD's role was consolidated by Law No. 143 of 1981 which empowered it to manage all land reclamation activities. … GARPAD is responsible for financing the delivery of needed infrastructure and services from the budget allocated to it by the State"(World Bank 2006b: 76).

[78] The Toshka Project, which began in 1997, aimed to create an alternative delta parallel to the Nile Valley, involving large-scale land reclamation linked to industrial development, tourism and mining

At the same time, power to dispose land was devolved through Law No.7/1991 so that local governments could manage or dispose public/state lands within the Zimam (governorate territory).[79] However, these changes did not remove the authority of GARPAD whose role continued to supersede those of the Governorates. Nonetheless, the government implemented a series of other laws to facilitate allocation of public/state lands by keeping investors' choice in mind. Thus, Law No. 5/1996 regulated the free allocation of public land and real estate at nominal fee for development or investment promotion and authorized the transfer of land ownership after the completion of construction and beginning of operation (World Bank 2006b).

To promote the newly adopted, free market guided distribution of public/state lands, the Egyptian government launched a National Development Plan/Investment Opportunities Map in 1997 to be completed by 2017. According to the Plan, 3.4 million feddans were made available for potential investment through reclamation projects, the first 2 million feddans of which were allocated through public auctions according to free market mechanisms (World Bank 2006b: 77-78).

With the withdrawal of the state from direct reclamation of public/state desert lands GARPAD also faced a financial crisis as it owed LE 18 billion to the National

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projects and the creation of new urban communities to relieve congestion in the Nile Valley. It was intended to settle six million people and cultivate between 800,000 and 2.2 million feddans of land. Concentrating on growth of organic produce, the exports were aimed for European markets. Toshka was scheduled to be completed and running by 2017 with a total cost of LE 200-300 billion (NBE 1997). However, others estimated that it would cost around LE 100 billion per year over the course of the Project (Moore 1997: 5). The state would fund 20-25 per cent of the total cost while the private sector was expected to contribute the remainder of the cost. The government's share in this development included the building of the pumping station (at a cost of LE 1.48 billion), 70 kilometres of canals as well as infrastructure (Mitchell 2002: 273). Five billion cubic meters of water from Lake Nasser (out of a total of 55.5 billion annual water allowance for Egypt) and as well as subterranean water accessed via 114 wells would irrigate half a million feddans of 'scorched desert land' (NBE 1997: 39). By 2010, only seven years away from its projected completion, the Project was nowhere close to completion. Private investors had faltered on their promises of investment and development work and were embroiled in lawsuits over illegal acquisition of state lands. One of the main investors, who had received 100,000 feddans of land as part of the Project was the Saudi financier Prince al-Walid bin Talal (Mitchell 2002: 273). The contract of purchase had granted outright ownership of the land once the company had completed payments, in violation of rules stipulating that the land should be completely reclaimed and planted within five years before bestowing ownership upon the developer.

[79] Zimam refers to the limits of the perimeter that comprises urban lands within village cordons, as well as cultivated and uncultivated agricultural lands that have been surveyed by the Egyptian Survey Authority and included in the register of agricultural lands and real estate maintained by the Real Estate Tax Department (Madbouly 2005).

Investment Bank. To recuperate its financial losses, GARPAD began selling unserviced lands generating LE one billion in the six-month period from August 2006 to the beginning of 2007. In the space left by the GARPAD, the private sector stepped in to provide infrastructure as well as inflate the prices of such lands (World Bank 2006b: 92-94). GARPAD was accused of selling agricultural land at below the market prices to local power holders while depriving peasants from such access (Essam El Din 2004a; 2004b).

To operationalize Law 96, the government set up ‘provincial reconciliation committees’ in 1996 to settle potential disputes expected to arise as a result of Law 96. According to a study conducted by the Agricultural Policy and Reform Program (APRP) in 1999, the reconciliation committee members were largely composed of officials from the Ministry of Agriculture and from the cooperatives. It claimed that these “were community members who were trusted by both tenants and landlords” (USAID and the MALR 1999). However, given that most of the meetings of reconciliation committees were held in police stations, it suggests that the government anticipated resistance from farmers and peasants.

Table 9.2 offers a long historical view of the structure of land ownership and following the adoption of Law 97, Table 9.3 shows the beginning of changes that were documented between 1997 and 2000.

Table 9.2 Distribution of Land ownership in Egypt, 1896, 1952, 1995

Land Owned in Feddans	Owners (per cent) 1896	Area (per cent) 1896	Owners (per cent) 1952*	Area (per cent) 1952	Owners (per cent) 1995**	Area (per cent) 1995
50 and more	1.0	45.2	0.4	34.2	0.2	14.5
10- <50	5.1	20.8	2.5	21.6	1.6	18.8
5- <10	6.7	9.5	2.8	8.8	2.3	9.6
<5	87.2	24.5	94.3	35.4	95.9	57.1
Total	100.0	100.0	100.0	100.0	100.0	100.0

Total in 1,000	1,153	5,299fed.	2,800	5,922 fed.	3,908	5,887fed.
Average ownership in fed.		4.6 fed.		2.1 fed.		1.5 fed.

Sources: (Ibrahim 2003)
Note: These tables indicate the recorded size and structure of ownership of over 8 million feddans. However, unregistered land (customary tenure land and state/public land) cannot be accurately measured due to lack of documented evidence (official and unofficial).
*prior to the revolutionary land reforms of the Free Officers
**prior to the implementation of Law 92 of 1992

The adoption of Law 96 resulted not only in a reversal of Nasserist land reforms, but also entailed deeper reform of various tenure forms that predated Nasser's agrarian reforms. In other words, Law 96 began a process of annihilating and collapsing a diverse set of social relations in land and subordinating them to one single form of property – private property. To see this transformation through, the government rewrote the Civil Code in order to remove any obstacles from the path of institutionalizing private property as the dominant form of property in land.

Table 9.3 Distribution of Land Ownership by Size of Holding, 2000

Land Owned in feddans	Share of Owners (per cent)	Share of Agricultural Land (per cent)
100 and more	0.7	8.6
50- <100	0.9	6.4
20- <50	1.4	9.4
10- <20	2.8	9.7
5- <10	4.3	10.4
4- <5	3.7	8.4
3- <4	5.0	9.1
2- <3	8.4	10.5
1- <2	14.3	11.1
<1	58.5	16.4
Total	100.0	100.0
Total number/area	4,056,800 owners	6,108,400 fed.

Sources: (Ibrahim 2003)

These changes constituted a fundamentally contentious process as they resulted in accelerating dispossession in rural communities. The government, in collaboration with USAID, released a report in 1999 claiming that because of the reconciliation committees, the implementation of Law 96 was peaceful and "police action was rarely used to settle disputes, and the courts were seldom required to intervene." The report went on: "Almost all landlord and tenant relationships have been peacefully reconciled." Yet in the same paragraph, it is mentioned that "police intervention at the outset was a sign of the government's serious commitment to implementation; hence, tenants and other concerned parties found it necessary to comply" (USAID and MLAR 1999: 1, 3).

Since the passing of Law 96, desert land, which legally belongs to the state as public property, was handed out to private investors. This often led to conflicts that involved state authorities, new landowners and Bedouins.[80] *Wad el Yad* landholders often lacked documentation proving their ownership, which made it easy for the state to evict them off their lands. Often *Wad el Yad* landholders rely on custom and an oral history that the state no longer recognized. These two categories of land were transformed into private property by means of Law 96/1992.

Another category of landed property in dispute pertained to the Agrarian Reform lands that were nationalized under Nasser to become state land. Under Nasser, *Waqf* land – religious land – was brought partially under state control. Private lands that exceeded the land ceilings established under the Free Officers, and the lands of the royal family members had also been nationalized and redistributed to peasants and small farmers. Although nationalized, the titles to these Agrarian Reform lands remained in the hands of their previous religious owners. Thus, recipients of such redistributed lands lacked official documentation that served as proof of ownership. Original owners who were expropriated under Nasser began reclaiming their rights of ownership to such lands. Various state authorities such as the Ministry of *Awqaf*, Ministry of Housing, Ministry of Agriculture, Agricultural

[80] For instance see the case of Abu Fana Monastry in Minya governorate whereby the state sold Bedouin land to Christian Missionaries in 2008 which led to a protracted conflict between the Bedouins and the Missionaries in Abu Fana (Johannsen et al., 2009).

Associations and various governors took advantage of the precarious nature of Agrarian Reform lands by forcing tenants off their land and from their homes.[81]

By 2010, USAID estimated that only ten per cent of real estate in Egypt was registered with the Civil Authorities (USAID 2010). The remaining unregistered ninety per cent were held through customary forms of contracts (e.g., *Wad el Yad*, `Urfi contracts). `Urfi contracts prove unregistered yet legal possession of land and are widely common in various parts of Egypt, especially in Upper Egypt. To claim full ownership of a plot of land would require the stamp of approval of local authorities. However, local governors could choose to ignore the validity of such customary forms of possession and deny full ownership of such land to their owners. This made the process of registration of land a very political process that could result in dispossession and transfer of land to new owners.

In short, the privatization of agricultural sector served as a crucial step towards consolidation of property and large estates. However, this process could not have been accomplished without dismantling various forms of access to land that had historically characterized rural Egypt. The next section elaborates these diverse arrangements that formed the basis of rural production and reproduction and which became contested after the passing of Law 96.

The Contestation Over Property Rights

The land tenure system in Egypt has been the culmination of various laws and decrees rooted in Roman law, Islamic Sharia, Ottoman laws, French laws as well as secular Civil Codes. The last, in the form of the Civil Code of 1949, combined most of the former categories of laws (see Appendice B). Outside of urban areas, land falls into two categories: state lands (both public and private domain) and private property. Public domain lands refer to lands that serve public utility and are owned by the state. These include rivers and streams, roads, military installations, squares, areas allocated

[81] The one category of land that does not entail disputes falls under private property or freehold, which is registered with the local office of the land registration division of the Ministry of Justice, and is owned by private persons. As this category does not form a part of the conflict over land, I have not focused on this form of landholding.

for public ways, and publicly owned land which can be used for purposes of land development. Private domain lands refer to desert land, uncultivated or unclaimed land to which the state has the ultimate legal right as any private landowner. The Civil Code of 1949 enabled the acquisition of such land through cultivation without the necessary permission of the state. *Wad el Yad* land and other forms of customary tenure, including land occupied by Bedouins, fall under this category.[82]

The 'real rights of ownership' were qualified in the Civil Code of 1949. Ownership rights comprised several elements, including 'bare ownership', the right of usufruct, the right of the user, and the right of habitation. After the adoption of the Agrarian Reform laws of 1952, the rights of ownership were further restricted by limiting the amount of land one could own, and its use was qualified by attaching the phrases 'public interest' and a 'social function' to ownership rights. Discrepancies between official laws and actual practice, however, continued to shape the nature of land relations. Bedouins who occupy desert lands and use it for their subsistence were never granted ownership of their lands and thus they continued to use their lands on a customary basis. In 1981, customary rights to nationalized lands were legitimized in cases where land had been improved, "provided that a system of irrigation was in place prior to 1981" (USAID 2010: 7).

Since 1997, private property backed by deeds dating to the pre-Nasser era have been recognized as the legitimate form of property over and against the rights of property that were established by the Agrarian Reform laws of Nasser. After Law 96, those who had state lands, Agrarian Reform lands or *Wad el Yad* land were all subjected to potential dispossession by the state authorities across Egypt. Law 96 shifted the balance of power in favour of landlords and rich farmers while dispossessing small farmers and peasants, and the stage was now set for the landlord offensive against peasant and smallholder tenures. The new claimants were not limited to deed holders and inheritors, but also included investors and political

[82] These lands were previously known as *mawat* lands under the Ottomans and later under Mohammed Ali. In nineteenth century the state offered this land to anyone who cultivated it and paid taxes to the state. The practice continued into the twentieth century whereby agricultural land without owners could be occupied on the condition that it was used for cultivation. Fifteen years of farming such lands would bring the cultivator closer to owning the land, but ownership rights were not granted directly. Often lands in Upper Egypt and in other parts fell into this category whereby cultivators continued to enjoy the use of land without feeling the need to register it as private property. See: Debs (2010: 76-79).

influential figures who took advantage of the opening offered by Law 96. In a sense, Law 96 not only restored older forms of private property by undoing Nasser's reforms, it also asserted the primacy of private property against traditional forms of tenure, thereby signifying a significant transformation of social property relations in the countryside.

The state clearly played a role in this process of accumulation by dispossession. The Supreme Constitutional Court (SCC) took an increasingly active role in defending the rights of private property in almost all cases since the 1990 and weakened the rights of tenants. The Court began by reversing laws that had offered protection and security to tenants. The Court decided that restrictions on private property should not enrich the tenant while impoverishing the owners, arguing that giving tenants' rights that were "unjustified by his legal status," was a form of exploitation of the owner (Hill 1998: 136).

Throughout the 1990s, SCC rulings went further in redefining the nature of private property itself by stripping it of any social obligation or limitations. For example, the SCC redefined private property as "the product of its owner's efforts" and "a tool of development and embodiment of free will." As such, "the owner should enjoy the constitutional protection of his property", and the "legislator does not have the right to change its nature, fragment it, or restrict the liberties emanating from it without a social need." In a case decided in early 1997, the Court held that the property right "is an affirmed right against all. Only the owner has the right to benefit from his property. The violation of private property is 'an aggression against a legally stipulated right'" (quoted in Hill 1998: 137, 139). In the process of defending private property, therefore, the Court redefined the status of private property and asserted its own role as its guarantor.[83]

Dispossession took at least two different forms. In many cases – discussed in detail below – smallholders working on Agrarian Reform lands were forcefully

[83] Another important study of the Egyptian supreme Constitutional Court and its rulings has been offered by Tamer Moustafa (2003). Moustafa argues that despite an authoritarian political system, the Egyptian state in 1979 created an independent constitutional court that could provide institutional guarantees and security for private property. Moustafa examined the court rulings from 1980-2000. In the economic sphere, the Court embraced the regime's concerns by striking down socialist gains and facilitating the way for a 'free market' economic system. As a result, the Court since 1990 was actively engaged in overturning Nasserist social and economic reforms all in the name of defending rights of private property.

evicted by the state in the face of rival claimants bearing pre-1952 property deeds. In other cases, dispossession occurred through the imperatives of the market. Between 1992 and 1997, land prices rose by 500 per cent or more depending on the governorate (El-Madany 2007).[84] While peasants and smallholders had the option of purchasing their plots of Agrarian Reform land the dramatic increase in the price of land prevented many peasants and smallholders from being able to purchase their plots. Those who could often had to resort to private forms of financing that resulted in unsustainable degrees of indebtedness that eventually resulted in dispossession. Similarly, e rent increases, exacerbated by the proliferation of short-term (12 month), often unwritten and revocable contracts, meant that an increasing number of tenants could not pay their rent (Ibrahim and Ibrahim 2003: 120).[85] In Beni Suef and Monoufiya, Qalyoubiya, Kafr Elwan and Qena, rents had increased from LE 300-400 to LE 3000-4000 per feddan between 1997 and 2008. Lands rented after 1997 were based on insecure often unwritten contracts revoked at landlords will. Tenants were also made responsible to pay for the general upkeep and improvement of the land. Outlays for irrigation, sewage maintenance, and other farm equipment became the sole responsibility of the tenant just as the costs of water, fertilizer, seeds and other basic inputs have risen.[86]

The liberalization of rents and prices, and the downloading of operational costs to tenants were exacerbated by the elimination of state provision of credit for agricultural inputs. The Principal Bank for Development and Agricultural Credit (PBDAC) was divested of its developmental role and transformed into a financial institution guided by the profit motive. It liberalized its interest rates for agricultural credit and eliminated agricultural subsidies at the same time that rents and land prices were increasing.[87]

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[84] Before the Law a farmer could rent three feddans for LE 400 per year; but after the Law the same plot of land would cost LE 6000 rent per year (El-Madany 2007).

[85] Rents increased from 7 to 22 times the land tax for a transition period of five years (1992-97) after which the 'free market' determined rent levels (Law 96, Art. 33).

[86] In 2005, the privatization of water delivery systems resulted in reduced access to water by smaller farmers as most of the water was directed towards agribusiness mega projects. In the governorate of Fayoum and Beheira, farmers' access to irrigation water was completely blocked as the water was redirected towards mega projects.

[87] Thus in the wake of Law 96/1992, PBDAC raised its interest rates between 14-16 per cent, while reducing its supply of fertilizer to 10 per cent, leaving the rest of the supply to the private sector.

One of the landmark projects of alternative livelihoods and housing under Mubarak – the Mubarak Graduate Project (MGP from now on) – was illustrative of the pressures that direct producers became subjected to after the liberalization of agriculture and its associated legal reforms. The MGP headed by the Ministry of Agriculture and Land Reclamation (MALR), began in the 1980s and expanded since 1988, with the aim of providing employment and housing for unemployed university graduates. By 2006, the project had used up 25 per cent of the reclaimed land whereby university graduates as well as dispossessed tenants and peasants were given 5-10 feddans of land "at a price set to cover the cost of infrastructure provision (supply of water irrigation), and in some cases coupled with housing units and community services to encourage settlement in these areas" (World Bank 2006b: 74).[88] The land, mostly located in the Western Delta and the Toshka Valley, was given on a long-term lease with the possibility of full ownership after the full payment was made. During the first five years of the Project, graduates were to receive financial aid and agricultural expertise from the government to set up their farms, however, since the liberalization of the agricultural sector, state support for graduates was radically cut down with most graduates left to their own means often leading to their indebtedness (Adriansen 2009: 666).

According to the LCHR (2004b), the MGP failed to enable graduates to succeed as farmers or have secure tenure in their housing. In Beheira, El Wady El Gedid, Fayoum and Sohag governorates, graduates were left to their own means to reclaim their lands. Often they had to rely on high interest loans for the purchase of agricultural inputs from the market and suffered from lack of access to irrigation water. The LCHR (2009) documented a large number of cases of graduates who were indebted and were threatened with imprisonment by the Bank and the state. For instance, in Amereya, Alexandria, Mubarak Project problems ranged from irrigation, debt and lack of state support graduates. In general, due to high costs associated with reclaiming desert land for the purpose of agricultural projects, small farmers and graduates did not succeed in making a living from such projects. Instead they became

PBDAC also reduced its purchases of crops limiting it to wheat and maize while its storehouses were privatized and their staff either reduced or laid off (Nassar and Mansour 2003: 149).

[88] The remaining portion of the reclaimed lands has been used by the MOMDP and the Ministry of Interior for their own agricultural and agro-business projects.

heavily indebted and often abandoned their projects in search of jobs in urban areas or returned to their old villages as day labourers (LCHR 2008a; 2008g). Despite the failure of desert reclamation projects, the government was not ready to hand out such lands to those who had been dispossessed as a result of Law 96 as only 12,000 of them received alternative lands in the desert (LCHR 2005e; 2005f). Desert projects also failed due to absence of services such as transportation, clean drinking water and health facilities (LCHR 2006c; 2009f).

Ironically, in cases of success in the reclaimed lands, due to the ambiguity of the land titles, the authorities deemed these lands profitable and transferred them to private investors. For instance, the governor of El Wadi El Gedid forcefully evicted graduates of MGP and took over their improved and reclaimed lands and homes for the purpose of selling the land to private investors for higher returns (LCHR 2007b). In another case in Dar El Salaam, Sohag, the governor changed the terms of contracts of MGP land recipients of 1997 increasing their payments and forcing graduates into indebtedness and landlessness (LCHR 2009a). In the village of El-Mrashda, Qena, the governor took away 4,000 acres of reclaimed lands from 200 farmers – who had developed the land over a period of ten years (1998-2008) – and transferred it to a private Japanese company that specialized in agricultural investment (LCHR 2008f). In another case, farmers in Wady El Naqra who had reclaimed desert land over decades demanded the government to recognize their rights to the land. However, they were told that their improved land was sold by one of the Agricultural Companies of the Ministry of Agriculture to some investors and that they had to leave their land (LCHR 2009i).

The inaccessibility of new loans and the burden of high interest rates on their past loans effectively forced peasants and tenants to abandon their lands. In 2007, in various governorates across the country (Sohag, Minoufiyya, Minya, Qena, Kafr el Sheikh, Alexandria, Qalyoubiya, Giza, Damietta), thousands of farmers were threatened with imprisonment because they were unable to repay their debts to the Bank of Development and Agrarian Trust. Most of the indebted farmers had run away from their homes and villages and were in hiding, some in the mountains of Qena. By 2010, an estimated 225,000 farmers had been imprisoned due to unpaid debts (Golia 2011; LCHR 2007).

As interest rates were liberalized, over 4,222 agricultural cooperatives were also liberalized leading to their loss of public sector support.[89] The agricultural cooperatives were expected to adjust to market forces and thus faced competition with an aggressive private sector that had access to available capital and machinery. Subjecting cooperatives to market imperatives meant that they could no longer perform their traditional social function, but rather had to compete in order to survive. These changes in agrarian social property relations increasingly made rural producers dependent on market imperatives for their survival. The most prominent example is the case of cotton growers who – subjected to Egypt's changed policy of importing cheap cotton – accumulated massive debts resulting in the loss of their land (LCHR 2005). Cases of crisis of cotton growers were noted in the governorates of Beheira, Qalyoubiya, Fayoum, Minya and Beni Suef (LCHR 2007). Such forms of market dependence, rather than contribute to self sufficiency of farmers and peasants, made households more vulnerable to the global economy's shocks caused by fluctuating world prices of commodities. Indeed, Bush (2001) argued that Law 96 generated considerable insecurity for farming communities, taking away the freedom from market imperatives that rural producers had enjoyed so far. This made them subject to not only the impersonal forces of the capitalist world market, but also to the arbitrary and personal power of local landlords.

The 1990s also witnessed a rise in child labour either as helping hands on farmers' small plots or as hired hands on big agribusiness estates as families struggle to meet the high cost of living. Women suffered more than men in the process of losing tenancies, even where they had successfully maintained agreements before 1997. Most widowed women lost the land that was left to them by their husbands as the Law did not recognize their rights to such land thus leaving them without any means of subsistence (LCHR 2004: 60-68). Saad (2002) noted that peasants often sold household assets, such as livestock and women's savings and jewellery, in order to provide for their families. Furthermore, some peasants were forced to give up the use of electricity and instead returned to using kerosene lamps. The return to use of kerosene lamps represented something more than simply a coping strategy for the

[89] There were a total of 5,999 agricultural cooperatives in Egypt in 2004 (Abdel-Seed Mohamed 2004: 57).

peasantry. It signified the loss of freedom by peasants and a return to a life under semi-feudal conditions.

Dispossession through market imperatives was supplemented by dispossession through the use of state power. With the state clearly privileging rights of private property against competing customary claims, the stage was set for the attack on the Agrarian Reform lands and other traditional forms of tenure.[90] After 1997, successful claimants did not have to pay compensation to the dispossessed and the pace of dispossession accelerated particularly after the appointment of Nazif and the renewed surge of neoliberal reform which aimed to attract large-scale agribusiness to the countryside.[91] A vast number of cases of violations against Agrarian Reform land holders occurred after 1997. For instance, an ownership claimant confiscated farmers' property despite farmers' legal documents and proof of rent payment for 40 year in Ezbet-Mershaq-Dekernes station, Dakhaliya governorate (LCHR 2006f). In Beheira governorate, influential individuals expropriated 221 acres of Agrarian Reform land. In the village of Ezbet El-Baroudi, in the Delta governorate of Beheira, the family of Mohamed Ashraf El-Baroudi, the landlord who owned the village land prior to 1952, returned to reclaim the land. A similar case of eviction was on-going in the neighbouring village Ezbet Moharram at the same time as that of Ezbet El-Baroudi village.

In March 2005, Salah Nawar, a powerful landlord arrived in the village of Sarando demanding eviction of tenants from Agrarian Reform lands. Salah was accompanied with four armoured cars, a microbus, five jeeps and five tractors along with firearms and swords. The claimant's men shot at farmers who were busy

[90] In the province of Minoufiyya, one of the richer farmers that I interviewed in 2008 showed the 'finger-printed' documents of lands that he had acquired from smaller peasants who had been forced to leave their lands. The farmer I interviewed was quite pleased at this development as it had allowed him to expand his holdings to 60 acres now by absorbing the parcels of land around his initial plot of land. The case of desert development represents a different kind of large-scale agricultural development where farm sizes extend over hundreds and sometimes thousands of acres, a phenomenon that has recently occurred as a result of land reform and overall economic policy reforms.

[91] Article 33e of Law 96 states: "If the landlord chooses to sell the land before 1996/97, the tenant can choose to buy the land or leave it in return for a compensation by the landlord (equal to forty times the value of land tax, for every agricultural year from 1992-1997). Or the tenant can keep the land until 1997."

ploughing their lands. Salah had filed a police report accusing the tenants of trespassing, stealing his crops and preventing the landlord from going to his land.[92]

In El Mounira village, Qalyoubiya governorate, a former ambassador claimed ownership of a piece of agricultural land owned by the state. Peasants had farmed the land for more than fifty years. The powerful ex-official used the security forces and hired armed thugs to threaten the farmers to leave their lands and homes. They destroyed water wheels and burned the crops of the farmers. In 2005, in Borg El Arab City, Alexandria, 150 farmers and their homes were threatened by government officials. In 2006, the farmers of Yousif El Seddiq area, El Fayoum governorate, filed a complaint with the LCHR (2006g) stating that:

> ...some influential people have claimed the ownership of their lands. The farmers state that these people have ruined their plantations, assaulted them and threatened to kill them… On 14/2/2006, the ownership claimer seized their lands and damaged their plantations with tractors and drilling machines that have at the same time planted trees to change the landmarks. When the farmers tried to stop them, they were threatened to be buried alive on this land, and all roads leading to it were blocked. Youssif El Seddiq police forces have arrested a number of farmers and detained them for several days.

Similarly, the property rights of thousands of farmers who had improved their lands in West Tahta, Sohag, were deemed invalid by the state (LCHR 2008b). In other cases, the deeds to Agrarian Reform lands were ignored by the authorities who claimed that a certain Ministry owned the land in order to forcefully evict the tenants (LCHR 2008e).

Collusion among powerful local politicians and private investors resulted in mass forced evictions and expropriation of land and housing. Often relying on local police stations and security officers, local powerful authorities resorted to stealing lands and forcefully evicting farmers. Various state authorities including governors, the Ministry of Housing, the Ministry of Endowments, and various agricultural

[92] The police arrested the wives and children of the farmers in order to pressure them to submit themselves to the authorities. See: Land Centre for Human Rights (2005g).

associations have been involved in the eviction of thousands of smallholders and peasants. The Ministry of Tourism has also evicted smallholders and peasants for the restoration of historic sites and to develop tourism across the country.

The residents of Ezbet Khairi, Dakahlia governorate were threatened with eviction from their homes by a powerful figure in their village, Dr. Ahmad El-Hefny, who had cut the electricity and water supply from their homes, demolished some of the houses and claimed ownership of the village land (LCHR 2008h). In Ezbet El Arab El Soghra and El Kobra, Alexandria, the Ministry of Endowment and the governorate colluded to evict 4,000 farmers and transfer 300 feddans of their land to private investors (LCHR 2008c). In another case, local villagers were denied alternative housing because the mayor of Ezbet Mohammed Aweys, Beni Suef confiscated land that was designated for building a new village leaving the former residents homeless (LCHR 2007e). Similarly, in villages in the North of Giza, local authorities collude with rich landlords (Hathor) to evict tenants from their homes (LCHR 2008d).

The authorities of Fayoum Governorate refused to honour the ownership contracts of tens of thousands of farmers on state lands and threatened to destroy their homes and evict them from the land. The authorities increased the rents by 160 per cent demanding that tenants pay this rent retroactively to the start of their original contracts or leave their lands (LCHR 2006). In Qena, the Governor conducted a property assessment according to which the value of houses was inflated subsequent to which the Governor not only increased the rents, but also demanded back rents (LCHR 2005b).

The governor of Sohag decided to build an airport on land that was reclaimed by farmers and was the main source of livelihoods for thousands in the community. The state delayed recognition of their property rights since 1981 when the farmers had begun improving the land. While there were vast tracts of desert land for building the airport, the farmers could not comprehend the governor's decision to build the airport on their reclaimed agricultural land and since the farmers' property rights were not recognized by the state, they were threatened with eviction and dispossession without any compensation (LCHR 2007c; LCHR 2009j).[93]

Nazif's pro-investor policies increasingly resulted in the expropriation of agrarian lands and homes of small holders for the purpose of industrial zones or other projects by private investors.[94] For instance, Agrarian Reform lands in the village of Tatwan, Fayoum was being confiscated by businessmen while 262 feddans of Agrarian Reform land was turned into Industrial Zone in Kafr El Mahrouk village in addition to large plots in other parts of Gharbeya resulting in destruction of 1205 feddans of fertile land for the purpose of industrial development (LCHR 2009g). The Agrarian Reform lands in Al-Ad'adeyya village, Beheira, were transformed into an industrial zone by the governor. The governor of Beheira, General Mohammed Sha'rawy denied forcing farmers to concede their lands stating that farmers consented to waive their lands by signing concession forms (LCHR 2009k). In another case, the Governor of Gharbiya arbitrarily expropriated hundreds of feddans of agricultural land for the purpose of industrial zones by issuing Resolution 7/13 (LCHR 2010c). In the northern governorate of Kafr el Sheikh, the Governor along with the Ministry of Endowment expropriated the lands of farmers in the villages of Mostorod, Abyaneh and Al-Aaly despite the fact that the farmers had paid the entire rent for three years (2008-11) in advance, had dug canals and improved the lands. The expropriated lands were transferred to the Arab Company for Land Reclamation (LCHR 2010a).

The Agricultural Cooperatives Associations (ACA) assumed a new role as they became agent of accumulation by dispossession. Between 2004 and 2011 the ACAs facilitated the dispossession of small holders by issuing new possession cards to landlords and terminating their traditional support services to tenants (LCHR 2004e; 2004f; 2005c).[95] By issuing new possession cards to landlords, the ACAs denied receiving decades worth of rent from peasants and farmers towards their plots

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[93] In Wadi El Gedid, the governor colluded with investors and dispossessed 54 farmers from their lands and homes (LCHR 2009j).

[94] In 2010, in Fayoum governorate, a gas company expropriated the lands of farmers without any compensation (LCHR 2010d).

[95] The Agricultural Cooperative Associations had been disempowered under Sadat in 1976 and no longer served the interests of peasants and small farmers. The board of the cooperatives were dominated by rich farmers and landlords. However, peasants and small farmers who produced sugar for the state continued to enjoy services of the Associations such as seeds, credit, pesticides at subsidized prices. After 1991, the Associations role continued to decline as the attempts to dismantle the agricultural sector intensified (Abdel Aal 1998).

(LCHR 2006d).[96] In 2006, the ACA in Edko, Beheira governorate, took over the lands of local smallholders and transferred them to influential individuals through the use of police and armed thugs. In other words, the ACAs directly participated in expropriation and upward redistribution of land through their authority to issue possession cards.

The Ministry of Endowments (MoE) also played an important role in evictions of tenants. Under Nasser, the MOE was to serve as trustee for public domain endowment lands. Operating under a centuries' old system of public property, the MOE is responsible for looking after public domain lands that cannot be mortgaged or sold. If any revenue is received from such lands, it is to serve the beneficiaries of the estate. The main goal was to prevent the sub-division of property as well as conflict among beneficiaries of the land. After Law 96, the MOE began acting as any other landlord demanding rent and threatening tenants with eviction and imprisonment. The MOE actively engaged in expropriating tenants with the goal of getting a higher price for the land thanks to liberalization of land prices because of Law 96 (LCHR 2005h). For instance, in Ezbet El Hakim, Beni Suef governorate, the MOE was in trust of 51 feddans of Agrarian Reform land for which it received LE 30 of rents per feddan from the farmers. By 2006, it had raised the rents to LE 1200 and had made the contracts yearly based thus giving itself the right to renew the contracts annually and increase the rents accordingly. In this instance, the MOE acted just any other landlord (LCHR 2006a).

The MOE evicted farmers and destroyed their homes while transferring 1900 feddans of farmland to a construction society for the purpose of building the new Damietta City (LCHR 2006h). In Ezbet Ahmed Rashed, Monofeya, the MOE threatened to evict and imprison 3000 tenants from their homes and land if they do not pay the high rents demanded by the MOE (LCHR 2007a). In Rashwan estate, Beni Suef, the MOE confiscated homes by using threats of trespassing and imprisonment against its tenants (LCHR 2009h). In another case, in Mansoura, Dakhalia Governorate, the MOE destroyed agricultural land for the purpose of

[96] Possession cards were issued to small farmers and peasants to provide them legal backing for the Agrarian Reform lands under Nasser. The cards entitled peasants and small farmers to subsidized agricultural inputs provided by the state.

building officials' housing in violation of the Law of Endowment, which states that in case of sale of land, the occupants of the land shall be given priority. Similarly, in Kafr Mahrouk village, Kafr El Sheikh Governorate, 350 feddans of fertile land was turned into industrial zone while farmers were forcefully evicted without any compensation or alternative housing (LCHR 2009d). In Ahmed Rashid village in Ashmoun, Minoufiya, the MOE demanded that tenants leave their homes or face imprisonment for trespassing on land that farmers had worked for decades and paid rent for (LCHR 2009b). Farmers of Izbet Rashwan, Beni Suef were threatened by the MOE and feared the loss of their land and housing. The MOE had previously seized their homes and claimed ownership of them in 1995, however in 2009 threatened tenants with outright expulsion (LCHR 2009e). In short, the Ministry of Endowment has been actively pushing tenant farmers off the land through rent increases that go beyond the means of tenants (e.g., in the case of village of Al-Naghamish in Sohag, it was increased from 24 pounds per feddans per year to 3,400 in the period between 1997-2010 (LCHR 2010b).

The end result of this process of dispossession has seen a rapid concentration of land in the hands of a few. With the removal of limits on landholdings, Law 96 resulted in the creation of large landholdings on the one hand and a mass of landless day labourers on the other hand or the commodification of land and labour (Bush 2002; 2000; Ibrahim and Ibrahim 2003). Before turning to those who suffered as a result of Law 96, let me point out that the winners did not include only big landlords, but also rich farmers who could afford to buy out cash strapped tenants and consolidate their estates. For instance, Sameeh Moustafa Darwish from Shohdee village in Minoufiyya was able to increase his landed estate. The four Darwish brothers collectively had accumulated 21 feddans of land. Initially the brothers had 3 feddans of land as a result of Nasser's agrarian reforms however after Law 96 was passed, they managed to purchase the other 18 feddans which they purchased from seven tenant farmers. However, the land was scattered in different areas and the Darwish brothers expressed interest in buying out the tenant farmers whose land divided their estate. In Shohdee village land rent was LE 4000-4500 and the price of one feddan reached 250,000 in 2007. Smaller tenant farmers could not afford either the high rents or the cost of the fertilizer which was also sold at free market prices and no longer at subsidized prices. The Darwish brothers hired day labourers who work on his land as well as his kitchen garden. He paid day labourers in kind with produce and also provided housing for them. The Darwishes had worked in Saudi Arabia for 15 years before returning to Egypt in the 1990s and investing in land. The Darwish family – who had built a local mosque and felt they were linked to the community closely – were critical of the government land policy that encouraged foreign investors to take over agricultural land (Joya 2008).

The official response was to compensate smallholders for the loss of their lands. In practice, however, the state did not fulfill its promise, and in cases where compensation was offered, it often involved lands that were contested by others who had previously occupied them. Only 12,664 out of a total of 904,000 smallholders – around 1.5 per cent – received alternative lands. Land was already highly concentrated in 1990, where almost 70 per cent of the landowners had less than one feddan of land for a total of 18 per cent of all cultivated land. At the other end of the scale, 0.25 per cent of landowners (9,000) possessed 15 per cent of the total cultivated area (Ikram 2006: 263). The percentage of landless fellaheen reached 30 per cent after the implementation of Law 96 as high rents forced smallholders to give up their holdings (Ibrahim and Ibrahim 2003: 121). Close to LE 2 billion in losses were incurred by peasants as a result of Law 96, and up to 400,000 peasants were turned into day labourers or simply left without any means of subsistence (LCHR 2004: 48-49).

The following interviews demonstrate the nature of market imperatives and how they operated by turning vulnerable direct producers market dependent. Fawaz Ahmed (not real name) from a village in Qalyoubiya rented 2 feddans from the mayor – an absentee landlord and owner of 500-600 feddans of land mainly used for agribusiness and export of vegetables. Fawaz paid an annual rent of LE 3500 per feddan. He paid LE 5 per one qirat of land for the use of a rental tractor. One qirat of land could produce 150 kg of wheat (1 kilo of wheat cost LE 1.50 in 2007). He made his living by selling his produce in the local market on his donkey cart. To support his family of five children, he also had a second job as a night guard. Fawaz worked in Saudi Arabia for four years. Fawaz built a house but the state destroyed it because it was built on agricultural land. The farmer built his house twice but the government destroyed it because it was claimed to have been built on agricultural land (Joya 2008).

The Abdel Hadi family (Kafr-elwan) owned 2 feddans of land. The family sold the produce of the land to the government and to the local market. They produced wheat, corn and clover. Land rent per one feddan of land in Kafr elwan had reached LE 3000 per year (2007-08). In 1997, rents were at LE 500-750 per feddan. Similarly, the Hadi family reported that to purchase one qirat of land would cost LE 30,000-50,000 in 2007-08 (Joya 2008).

As market dependence became generalized over the period of a decade, Egyptian countryside witnessed an increasing number of peasants and small holders turn into day labourers. The use of day labourers became a common practice even by small tenant farmers. Day labourers' wages varied between LE 15-30 per day depending on the governorate (Joya 2007-08).

For instance, Ahmed Abdel Bey from the village of Abu Swailem south of Beni Suef rented 14 qirats of land from an absentee landlord who was also a government employee. Abdel Bey was very upset about the Law 96 which he viewed as giving landlords increasing powers over tenants. In Abdel Bey's village, landlords kept the contract and did not indicate the number of feddans/qirats that were actually rented by tenants. A copy of the contract was not given to the tenant, which left tenants insecure and the landlord could evict the tenant anytime he wished. Prior to Law 96, Abdel Bey paid a fixed rent. After the implementation of Law 96, landlords gave no option viable option to tenants and small holders except pay higher rents or face evictions. Faced with unaffordable high rents, Abdel Bey lost the land he was renting and only in 2002 began renting again subjected to new free market rents (Joya 2007).

The onset of Law 96 also unleashed a wave of conflicts in rural Egypt. In the village of Mattiaa in Qena governorate, Fatima (not real name) a mother of four described the rising levels of conflict in her village between peasants and landlords. Fatima's husband was a teacher but they also had half feddan of land which they used to cultivate food for their own consumption. Fatima said that many landlords complained to the police about the large number of land occupations by evicted peasants who resisted landlords' new powers. Eventually, the police used force to forcefully and violently evict the peasants off the land. The high rents that reached LE 4000 per feddan in this particular village did not allow any of the dispossessed peasants to rent land and thus many of them became day labourers. The village witnessed increasing number of feuds over inheritance of land and sub-divisions as the value of land dramatically increased after 1992 (Joya 2008).

However, the pattern of accumulation by dispossession was not uniform across all villages visited. In some such as the village of Abu Selim in Beni Suef governorate the persisting signs of a moral economy were still quite visible. Abdel Hakem who owned 1 ¼ feddans of land collectively with his brothers grew potatoes for export and berseem and corn for local consumption annually. He felt that the land reform had created the onset of inequality in rural Egypt. Thus he allowed children from his village to collect the leftover of his harvest. He also said that he considered it a right of the Bedouins to bring their animals and graze on his lands. He mentioned that a significant number of people from his village sold their land after 1997 as they could not afford the cost of agricultural inputs. Often, landlords took advantage of desperate small holders and purchased their lands at very low prices (Joya 2008). The dispossession that affected the livelihoods of millions of rural inhabitants also triggered a deep crisis in rural housing as dispossessed peasants and farmers faced evictions. The next section explores the loss of secure housing in rural communities where peasants and small farmers were uprooted and literally thrown off their lands.

Housing in Rural Egypt

Access to housing in rural areas did not become a pressing issue until the 1990s. Rural inhabitants had enjoyed the right to housing due to various arrangements at the village level. Traditionally, peasants and small farmers have predominantly relied on local materials (*turb akhdar* or silt) to build their shacks and hamlets on the land that they cultivated. Prior to 1980s, no building permits were required in most agricultural areas as there was no rural planning law in place. As a result, the boundaries of the urban and the rural remained blurred and the construction of housing on agricultural land continued unabated. Under Nasser, the government sought to protect agricultural land by allocating *waqf* lands for the purpose of rural housing, but permission to build housing on such lands had to be sought from local Endowment officials and there was no assurance that peasants would receive such lands for housing. Nonetheless, by the late 1970s, 90 per cent of rural families owned their mud houses (Mohie-Eldin 1982: 260). Rural inhabitants continued to reside in houses built on their small plots of agricultural land and this continued undisturbed until the end of the 1980s and early 1990s.[97]

With the introduction of Law 96, which terminated the contracts of over a million peasants and tenant farmers in 1997, housing became a problem for 5.3 million rural inhabitants (LCHR 2011). Evictions were often accompanied by the destruction of housing which were built on agricultural land (Law 96, Article No. 4). The practice was reinforced by a Military Decree 1/1996 criminalized the building of residences on agricultural land.[98] The Decree introduced a fine in the amount of LE 10,000 and jail term of 2-5 years (El Hefnawy 2004: 13-15). After the announcement of the Decree, a huge number of violations of Decree 1/1996 were retroactively recorded in various parts of the country, triggering a spate of evictions.

My interviews revealed variations across villages and towns in Upper Egypt. While a significant number of villages and towns had experienced a large number of evictions, others had continued to remain shielded. The first set of interviews illustrated the persistence of old forms of access to housing and an absence of market dependence. For instance, in the village of El-Hadiqa in Al-Fayoum governorate, I met an elderly woman and her daughter who were selling fruits and vegetables from a

[97] According to Law 49/1977, tenant-landlord relationships were to be regulated by the state. In the event that tenants were required to leave their land and/or place of residence located on their land, they were offered adequate compensation, determined by the state. Hefnawy (2004: 11) argued that such the construction of housing on agricultural land was inevitable due to the government's failure to design clear housing policy and thus provide a viable alternative for those in need of housing. He pointed out that the new cities were only accessible by the middle income households and not to rural households whose place of work was their plots of land.

[98] Scholars have pointed out that increasingly agricultural land is lost to urbanization. However, it is the state and big investors who violate the law by constructing major real estate projects whereas loss of agricultural land by peasants is minimal given that land constitutes their main source of livelihood (cf. Soliman 2004: 36).

basket. They said that house rents were around LE 80-125 in the village but rental housing was very rare. Most people owned their housing. They told me they had a small plot of land and used the produce either for consumption or for local sale (Joya 2007). My next interviewee was Salah from the village of Dendara in Qena governorate. He had four kids. He had built his own house forty years ago on land that he had purchased for it. He had retained the deed for the land and said that the practice of renting was not common in Dendara. While old houses remained shielded from government demolitions in Dendara, constructing new houses required the approval of Ministry of Tourism and Culture, which was not an easy task for workers and peasants.

In Upper Egypt governorate of Sohag residents were threatened either by the interests of the tourism industry or by the agribusiness. The provision of new services for tourists as well as exploration of new historic sites contributed to eviction of residents in the proximity of touristic locations. The following case is one example of this trend. 'Nasser' (not his real name) from Abidus in the governorate of Sohaq worked as a night guard for the temple of Abidus. He had a small plot of land on which he grew subsistence crops. He had also built his house on his small plot of agricultural land. He mentioned that most houses in the village were owned but were in a dilapidated state. The houses in Abidus risked being demolished as the government intended to carry out excavations. Residents had been asked to move out or witness the demolition of their houses. Nasser said that residents resisted government orders and forced a delay in excavations (Joya 2007).

In Al-Minya governorate's village of Al-Sultan I spoke with Sana Ahmed Mohamed, a mother of three. She said her family had built their house with stones from the nearby mountains and cement from the market. It took 20 years to complete the building of their house which was constructed on 100 meters of inherited land from her father. Her family rented land which they cultivated for subsistence use. Many Egyptian who worked abroad had returned to their village with their earnings. The village had power, water for a fee, and no sewage. Some people had no permission to build and others could not afford it. In order to subsidize their cost of living, Sana made cheese and butter and sold their buffalo to pay for their daughter's education (Joya 2007).

In the village of Rafa'a in Sohag governorate, Soleiman, father of seven, built his own house twenty five years ago. He mentioned that most houses in the village are built on agricultural land but are owned, not rented. However, due to rising costs of all commodities including building materials, most houses were incomplete. Most of the villagers worked in agriculture but some also worked in construction. For their financial needs, villagers relied on local community savings (Islamic Social Agency) due to its lax repayment conditions. The village had services such as communications, water and electricity but no sewage.

The next set of examples from the Land Centre for Human Rights demonstrate the extent of housing demolitions and forced evictions. Often those who had built their houses on land titled as *Wad el Yad* did not have documents to prove it and thus feared the loss of it to authorities. However, even those with valid documents lost their lands because their property rights were not seen as legitimate compared to those of the pre-1952 deed-holders or the investors who had gained significant rights in the course of the 1990s. For instance, four hundred families in the village of Bakry (Qalyoubia) were under the threat of expulsion from their houses 50 years after they first began renting their farms. In Shebeen El-kom in the province of Minoufiyya, farmers lost their houses because these houses were considered state property (LCHR 2004).

In instances of resistance against eviction, which were very common across villages, armed police intimidated women and children and discarded their belongings forcing them to leave their houses. Locals incurred heavy injuries due to resistance or combat with police. Hundreds of evictees filed lawsuits in order to get their houses back or get compensation, but it was to no avail (Moustafa 2007: 127-28). In cases where copies of contracts were provided to the courts, the cases were dismissed because the original copies were not made available. In village of Atfeeh, Giza, the Board of the City of Atfeeh threatened 5,000 families with forced evictions from their homes. These homes were built on state land in the desert. Tenants were asked to pay huge sums to the City Board or leave their homes. In another case in Abu Shleeb village, Gharbiya, farmers were evicted and their houses were destroyed by bulldozers with no offer of alternative housing. In 2005, in Ezbet Motawe'a, Fayoum, influential local authorities threatened to destroy one hundred houses of farmers and confiscate

148 feddans of their farm land. In Beheira governorate, companies linked to the Ministry of Agriculture demanded high rents from Agrarian Reform lands or threatened forced evictions of the farmers. The authorities resorted to use of armed men, theft of animals and destruction of farms (LCHR 2005i).

In Karnak, Luxor, in 2008, a sizeable community faced the demolition of their houses in order to expand the pavilion around the Luxor Temple, as part of a larger plan to create an open air museum in Luxor (Gabriel and Bakr 2000; Kamil 2008).[99] The construction of the open air museum would bring windfall profits to developers such as TMG who won the contract to build a five-star hotel and develop 19,589 square metres of land on the Luxor Corniche as well as launch a Nile Cruise ship (Hafiz et al., 2008).The residents of Karnak that I interviewed were certain that they would not receive a fair compensation for their homes (Joya 2008). They reported that the state-hired property appraisers underestimated the value of their property so as to reduce the potential compensation the state would owe the residents.[100] Furthermore, the residents of Karnak's economic dispossession was accompanied by social fragmentation: the destruction of homes would break up families and whole communities that had lived together for a very long time.

To residents of Karnak, the government's development strategy of promotion of tourism and tourism related projects, rather than being a solution, was seen as the source of their socio-economic problems. In 2008, a young man asked: "if tourism means the loss of our houses, do you think we would like tourists and welcome them here?" Other Karnak residents, expressing their frustration with their economic circumstances, said that tourism had not created any meaningful jobs for the local people.[101] At best, they got menial service industry jobs as dish-washers in the hotels' restaurants. They also complained about the big malls and hotel conglomerates that

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[99] The Egyptian Ministry of Housing, Utilities and Urban Communities contracted out the project to ABT Associates in 1997.

[100] In fact, in 1998, a different community in Luxor had already been uprooted from Old Gourna, and were forced to give up their land and housing after heavy resistance. The authorities' justified the demolition of the houses arguing that they were built in an 'uncivilized' manner and were obstacle to the restoration of Egyptian Pharoanic 'heritage' (Mitchell 2002: 186).

[101] The non-existent trickle-down effect of tourism to the residents of Luxor is very obvious. The stone-cutters in the small alabaster factories said they rarely got to sell enough of their carved statues to make a decent income. Others in Karnak said that the locals were not hired by the hotel industry as most workers are brought from Cairo. The locals might, if they were fortunate, get low-paying jobs as dishwashers. This author's interviews were conducted in January 2008 in Luxor.

directly competed with local tourist guides and small shop keepers, reducing their already-marginal income even further.[102]

At the core of the conflict in Karnak lay the reality that the residents had mixed titles to the land on which their houses were built. The land was either *Wad el Yad* or land with fixed low rents introduced during the Agrarian Reform. Secure tenancy rights which applied equally to rural and urban lands provided security of tenure for the tenants and farmers through the right of transfer to other family members. Thus, the forced evictions of Karnak's residence formed part of a larger attack on Agrarian Reform lands and customary tenancies.[103]

Article 4 of Law 96 states: "If this law results in removing tenants from their house and this is the only residence for him and his dependents, the government will provide them with housing in the same locale, and he should not leave his house otherwise" (Law 96, Art. 4). The inclusion of Article 4 implies that the government was aware that Law 96 would result in evictions across rural Egypt. However, alternative housing was often not provided by the state (LCHR 2004a). The government claimed to have offered alternative housing and land for evicted tenants in desert areas. In order to boost support for the land reform agenda, a campaign was launched to make it appear as if the state was taking care of all those who had lost their lands. In reality, most small farmers and peasants who were evicted, chased by crawler tractors and armed police forces, were left without any compensation or alternative housing.

Even though the Military Decree (1/1996) prohibited the use of agricultural land for non-agricultural purposes, the subsequent use of land by the private sector demonstrated that the authorities were not very much concerned about the uses that agricultural lands were put to (See Appendix B). Most of the redistributed lands to private investors were put to use for tourist developments and luxury housing

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[102] As recently as February 2010, people from the rural area of Maris in Luxor were being evicted from their homes and land while one thousands of fertile land was handed over to the tourism industry based on a 2007 Decree No. 264. See Mohsen (2010).

[103] Similarly, as a result of the Prime Ministers's decision No. 264/2007, 500 acres of agricultural land in El Marais, Luxor was confiscated resulting in dispossession of 8,000 families in order to establish an anchorage of floating hotels. In 2006, a real estate company, relying on forged documents and in collusion with local authorities in Beheira governorate, evicted hundreds of farmers resulting in the expropriation of over one thousands feddans of land. In 2008, the Qanater Project took over 350 acres of agricultural land to build a promenade for officials in El Dom Island, Qena, leaving the farmers without any means of livelihood, see: LCHR (2008).

projects. For instance, 2000 feddans of fertile agricultural land in Borg El Arab, Alexandria was transformed into a large amusement park (Mohsen 2010). Similarly, close to 2,400 homes and 12,000 residents of the rural village of Maris near the City of Luxor faced forced eviction after over 1000 feddans of their agricultural land was designated for the development of a massive luxury port for tourists clearly violating the Decree (Mohsen 2010).

My interviews conducted with villagers and local authorities in Upper Egyptian governorates revealed that agricultural land was often expropriated for the purpose of tourist development facilities and luxury housing (Joya 2007; 2008). In the centre of Luxor for instance, construction workers I interviewed mentioned that the project they were working – financed by *Egypt for Construction and Commerce* – was built over agricultural land. There has been an expansion of commercial buildings on agricultural land in the recent years. In 1997, all the commercial sites that had appeared in Luxor's surroundings by 2007 had been fertile agricultural land. In between the commercial development projects, there were still some pockets of untouched agricultural land whose owners would not sell (Joya 2008). Another construction worker, 'Ahmed' (not his real name) who was around 55-60 years old said his daily wages were calculated by the meters of land that he worked. In general, construction workers received LE 250 per month in wages, with daily wages estimated around LE 40 or less. For example, one metre would fetch him LE 4. Work availability was irregular and unpredictable. Ahmed owned his house, but had no legal documents to prove his ownership as it fell under the category of *Wad el Yad* (Joya 2008).

The Isis Island (Aswan) was another example of a case where agricultural land held as *Wad el Yad* was taken over by real estate developer and turned into a massive hotel, the Isis Hotel. The hotel opened in 1993. The people of ISIS Island were moved to Jabal Tajoj (Mount Tajoj). They were forced to give up their land without any compensation according to residents (Joya 2008). Three women from the Nubian village in Aswan explained the impact of tourism on their communities. They said that their whole community and the "authentic" façade of village housing was a set up and enforced by the government to attract tourists to the village. For instance, houses could only be painted in indigo and no other colours. In the early 2000s, the government forced residents to register their house in order to get electricity and water; unregistered houses were demolished by the government. The police normally began by destroying the stairs or one room or the roof in order to intimidate and coerce residents to register their houses. Registering houses was resisted because often government would demand the value of the house or back rent on unregistered houses (Joya 2008).

By 2004, when evidence about similar violations by big developers surfaced, the government annulled Military Decree 1/1996 so as to retroactively legalize the violations committed by land developers on agricultural lands (See Appendix B). Over a decade of regressive land reform in the context of liberalization of agriculture, resulted in re-possession of Agrarian Reform and Endowment lands whereby "more than a million acres of the finest agricultural land" were transferred to land developers who had in contravention of the law, built on such lands (LCHR 2010b).

Conclusion

This chapter discussed the impact of economic liberalization and more specifically agricultural liberalization on rural livelihoods and housing. The liberalization of the agricultural sector and the ending of secure tenancies were directly linked to subsequent loss of housing by tenant farmers and peasants. Faced with rapidly rising free market rents, many became landless and homeless. By removing rights to housing on agricultural plots and subordinating the pre-existing communal land rights to rights of private property, Law 96/1992 led to mass eviction of peasants and tenant farmers from their homes. As a result, rural areas underwent a transformation of social relations as landlords regained power in the context of a liberalized market economy while peasants and tenants were subjected to market imperatives. The often violent dispossession of the tenant farmers was central the accumulation strategies that were promoted by the neoliberal model of development. The problem of housing which in Egypt's case was often associated with urban housing made its appearance in rural areas overnight. This may only exacerbate the existing urban housing problem as the state did not implement a viable policy to provide alternative housing or secure livelihoods for the dispossessed.

Part IV. Conclusion

Chapter 10. Capitalism, Property, Housing and the State

The Egyptian state and society has undergone fundamental changes since the decolonization period. The period of Free Officers' rule witnessed a re-organization of social property relations whereby the state sought to integrate workers and peasants into the state. Under Sadat, the state was re-oriented to serve the interests of landlords and the commercial bourgeoisie. With the economic crisis that engulfed Egypt, Egyptian economy became gradually integrated into the global capitalist system. In this context, specific class interests—landlords, and state managers turned businessmen—began shaping state policies in their own interests. By 1991, when the Egyptian state signed the ERSAP, sufficient mobilization amongst members of the landed and other propertied classes had occurred. These interests used the ideological arguments coming from the World Bank and the IMF to their own interests and began demanding a dismantling of progressive policies that had been shaped under Nasser. The ruling class coalition, which coalesced in the 1990s and especially in the 2000s, demanded the privatization of state sector enterprises and the end of state regulations such as rent controls. In other words, they demanded the creation of a 'free market' through which they re-constituted their economic and social power.

In this dissertation, I examined the ways in which these changes were experienced in the area of housing as rent controls were dismantled and secure tenancies came under attack. Egyptian society witnessed a radical transformation of social relations as more than half a century of progressive changes were brought to a halt. More importantly, the subsumption of customary tenure and the transformation of state/public lands (which constituted most of the desert lands in Egypt) meant the dispossession of not only peasants, but also of Bedouins who had so far managed to continue their ways of life without being threatened by the state.

In order to demonstrate the deep seated power of Egyptian landlords and the politically contentious nature of the state, through the historical chapters I demonstrated how over the course of two centuries, landed and propertied interests managed to survive and in particular periods of conservative rule (i.e. under Sadat) consolidate their power and regain their lost influence in the state and economy. However, as the chapter on Nasserist period demonstrated, workers and peasants interests could become central to the state and its economic and social policies. This period demonstrated the 'relative autonomy' of the state as well as the relative weakness of the pre-existing elite.

The Egyptian state increasingly became dominated by powerful economic interests of the propertied classes during the last two decades of Mubarak's rule. It was in this period that the state's legitimacy to rule also declined as neoliberal policies worsened the living conditions of workers and peasants. In my case study chapters, I demonstrated how the new ruling elite coalition accumulated their wealth through pursuing a strategy of dispossession. The ruling classes' wealth came directly as a result of takeover of state enterprises at below the market prices (through privatization) or through land acquisitions (desert and agricultural lands) whereby through direct help of the state security apparatuses, peasants and farmers were dispossessed.

Given the focus of the dissertation on housing, my interviews revealed the complex ways through which peasants and workers' loss of secure access to housing came about as a result of neoliberal policies that sanctioned accumulation by dispossession. These interviews as well as reports by LCHR revealed the extent of state violence that was used to dispossess peasants and workers and undermine their ability to reproduce themselves.

The neoliberal experience in Egypt demonstrates the dogmas of 'free market' proponents who supported a liberalized housing market. As I demonstrated, we cannot ignore the contradictory aspects of neoliberalism whereby developers rather than respond to a high level of demand for affordable housing, continued to build luxury villas which finally resulted in a property bubble in 2000s.

Returning to my research questions, the evidence in the case of Egypt confirms that changes in ruling class interests had a direct impact on the organization and distribution of public social goods such as housing. While the ruling classes relied on political accumulation, the provision of social goods was not so central to securing their interests. However, instead, they adopted cautionary policies whereby they reduced the threat to their rule. However, as ruling classes adopted capitalist accumulation, the provision of social goods increasingly fell under control of ruling classes, i.e. private investors. Indeed, housing which had remained a social good was commodified and made accessible only through the capitalist market. But as the case studies demonstrated, the commodification of housing and the domination of it by the forces of the 'free market' did not mean that workers and peasants would be able to access housing through the market.

The historical chapters of the dissertation examined the process of social transformation through a study of social struggles, and the role of the state in reinforcing, transforming or challenging the pre-existing power relations. However, as these chapters demonstrated, while the state shaped social property relations through decrees, laws and enforcement mechanisms, the state itself was also shaped and reshaped by classes who took control over the state in different historical periods. Thus, rather than assume particular powers for the state, in these chapters, I have tried to demonstrate the contentious nature of power that constitutes the states.

A discussion of the state is ultimately a discussion of how power is organized and how ruling elites or ruling classes establish their hegemony over society. The state in the Middle East has been an arena of social conflict, contested not only by various fractions of the ruling class, but also by workers and peasants from below. As Ayubi (1995) pointed out, the modern state with its bureaucracy and extensive powers over society is a recent phenomenon. Power and social relations historically have been organized locally through local power holders and such forms of organization of power have not completely withered away with the emergence of the modern state. In fact, the modern state has been created over and above loci of power rather than subsuming these localized powers into the state. Thus, we continue to see divergent practices across society where rules established by the central state are not recognized or are not implemented.

Notwithstanding these challenges to the powers of the centralized state, a significant shift in the nature of the state has taken place over the course of the recent decades. We have witnessed a qualitative change in the nature of state power in terms of accumulation as the state adopted/developed strategies of capitalist accumulation. As such, the state through administrative and legal changes and with the backing of its coercive apparatus has subjected peasants and workers to market imperatives, rendering them market dependent. These changes would not have been possible in the absence of an ideological shift that promoted virtues of individualism, competition and "free market" over collectivism, cooperation and regulated markets.

A discussion of the state and its transformation is not very fruitful in the absence of a discussion of agents of such change—i.e. classes. In this case, the changes in the state occurred through policies that were thought out and planned by social agents in their specific social roles and through institutions. Such changes in the state and its role in society often imply a shift in the balance of social power of some classes and its accumulation by other classes. In Egypt, the 1990s and 2000s was the period in which a new ruling class consolidated its power. Their economic activities centred on land development for real estate and agribusiness projects. In the chapter on Mubarak period, I highlighted the role of landlords and land developers who subordinated the financial sector to their own interests. However, an increase in their social power was only possible by dismantling workers and peasant's social safety nets such as statist progressive policies, rent controls and subsidized prices of basic commodities. It also meant ending workers and peasants' non-market ways of reproducing themselves, which in this case had been secured through statist policies under Nasser regime. Consequently, Egypt witnessed the formation of a class of dispossessed peasantry and small farmers as well as workers who no longer had guarantees of employment through the state. In short, Mubarak's rule facilitated the formation of a working class, which was more a class in itself at this point than a class for itself (Thompson 1963).

The formation of such a class would not go unnoticed. As is known among scholars of the Middle East, in the Arab world in general, the contentious nature of the state and fragile nature of its legitimacy have kept the ruling classes in a precarious situation and in fear of revolt from below. The state has not developed the capacities to implement a sustained form of redistributive policies in society. This peculiar nature of the state has also required it to establish order through application of very coercive measures. The divisions within the ruling classes have prevented the state from developing its organizational capacity and hence the state has only been used to serve the immediate interests of the ruling classes, without actually investing in long-term stable capitalist development.

As early as in 1993, in a chapter titled "The 'Fiscal Crisis' and The 'Washington Consensus': Towards an Explanation of Middle East Liberalizations," Ayubi discussed the possible contradictions that may emerge as the Arab states emulated other capitalist states' strategies of accumulation. Ayubi pointed out that while Arab states may succeed in facilitating accumulation, they may not succeed in fulfilling a second requirement, namely legitimation. The inability to establish legitimacy may then lead to a crisis of the state (Ayubi 1993).[104]

The third question that I posed in my introductory chapter related to the social struggles that contested the powers of the state and ruling classes in the course of the modern history of Egypt. As the historical chapters as well as the case studies demonstrated, social struggles in the course of the 19th century remained localized reacting to the localized strategies of political accumulation. However, under the period of British rule, increasingly a political consciousness emerged whereby landed classes mobilized peasants and workers against colonial rule. By 1952, the failure of the propertied classes to respond to the needs of the workers and peasants and the concentration of property in the hands of a minority elite brought about the revolution by the Free Officers. It is from this period onwards that peasants and workers played an important role in Egyptian politics. Although peasants continued to remain considerably marginal in politics due to the dominance of landed classes at the village and governorate levels, workers' mobilization and protests became a constant of Egyptian politics. Workers protested the erosion of their rights and benefits and the

[104] Ayubi's work here was drawing upon James O'Connor's *Fiscal Crisis of the State* (1973).

loss of their secure employment in the state. By the end of Mubarak's rule, workers and peasants had realized that not only had they lost the progressive gains they had made under Nasserist rule, but they feared the neoliberal model had failed to deliver the goods.

Neoliberalism and Social Property Relations

In this dissertation, I proposed taking seriously the struggles around property relations in a historical comparative sense in order to understand the social base of the state and the political economy of different regimes. This is all the more serious in the context of globalization in order to understand the nature of conflict that has been emerging and the challenges that the new ruling classes have been facing. The embedding of social relations into the market as has occurred in Egypt at an increased pace since 1991 subjected peasants and workers to market imperatives. The abolition of statist redistributive policies and of customary rights to land increased the levels of market dependence. The state over the last two decades of Mubarak's rule became the agent of accumulation by dispossession on behalf of a new breed of ruling class that gained power in the context of economic liberalization.

When proponents of state reform criticized the statist model in the 1980s, they had argued that the state had been committed to redistributive policies in the interest of legitimacy at the expense of capital accumulation. The free market reforms of the 1990s and later reversed this relationship as states perfected accumulation strategies while abandoning redistributive policies leading to a crisis of legitimacy of the state. Similarly, in the case of Egypt, the state managed over the course of two decades of liberalization to facilitate accumulation through legal, institutional and administrative reforms. However, the strategy of accumulation which was distinctly based on dispossession faced contestation from Egyptian citizens. The social relations that were nurtured and created by the Egyptian state since 1991 intensified the legitimacy crisis of the state as workers and peasants witnessed their post-War gains disappear, leaving them exposed to market imperatives. Over a period of two decades, the Egyptian state perfected its strategies of accumulation by dispossession through legal, institutional and administrative changes of the state. A powerful alliance of ruling classes – in particular, landlords and property developers – dominated the state and used its various organs to speed up the process of accumulation by dispossession.

The adoption of neoliberalism reconstituted power relations in rural and urban areas resulting in increased social polarization and the sharpening of class antagonisms. Indeed, the transition to a free market economy transformed the nature of class conflict by bringing peasants and workers at the centre of the conflict. The relationship of peasants and workers to the state in this process underwent a radical shift as the social contract of the Nasserist period was dismantled. Policy changes such as privatization directly altered the socio-economic position of workers and peasants as they lost non-market access to their livelihoods and their shelter. Finally, the privatization of land across the country resulted in the forceful and often violent eviction of peasants, farmers and fishermen. By the end of the 2000s, Egyptian society was at a point of implosion due to unprecedented levels of social polarization, alienation and public grievance. With levels of poverty and unemployment rising across the country in conjunction with rising prices and declining wages, the neoliberal social contract appeared increasingly unsustainable.

In summary, the neoliberal model of development has been opposed to progressive policies and a redistributive role for the state. Underlying this model is the assumption that once the state withdraws from economic planning and production, the bourgeoisie would step in to fill the gap and fulfill their historic mission of leading the economy. In the case of Arab countries, such a hypothetical bourgeoisie that stood against and outside state power and support never rose to the occasion. In fact, the state had to help create the bourgeoisie through a redistribution of resources and re-orient the state so as to serve the interests of the newly created ruling class. Where the private sector assumed power in the case of land for industrial, agribusiness, real estate and tourism, profit margins and not the welfare of Egyptian workers or peasants dictated investment strategies. Societal needs such as housing, food security, transportation, infrastructure, health services and education, were marginalized as the new profit-driven model of development became dominant.

The Political Nature of Access to Land and Housing

In the context of these larger social transformations, the issue of access to housing in Egypt was defined and shaped by the dynamics internal to social property relations of specific historical periods. Thus it is important to factor into the analysis of the housing issue the legal framework defining access to land and the state's role in shaping relations of production, accumulation and surplus extraction. The historical chapters demonstrated how the state's role in defining the housing question changed from the time of Muhammad Ali when political accumulation defined social property relations, to Nasserism, when statist policies led redistributive measures and progressive housing legislation. The adoption of strategies of accumulation by dispossession under Mubarak's last two decades of rule reshaped the contours of the issue of housing as a new set of property relations left its mark on the housing question. No longer was housing a problem limited to urban Egypt. By the mid-1990s, rural Egypt was faced with a serious housing crisis as peasants were thrown off their land. Consequently, housing increasingly became a site of struggle involving the state, capitalists, landlords and peasants. Unfortunately, studies of housing have not kept pace with these social transformations but instead have continued to approach the question from the perspective of policy lagging behind demographic shifts. This narrow approach has not allowed for a consideration of struggles over property relations and the role of state in shaping power relations in Egyptian society. It is in response to these deficiencies that this dissertation has emphasized the need for a historicization of the issue of housing by contextualizing it within the study of social property relations in order to underline the contested nature of housing policy. To this end, I have relied on Wood's concept of market dependence and Harvey's concept of accumulation by dispossession as a way of relating the housing crisis to Egypt's neoliberal experiment.

When turning attention to the 1990s period under Mubarak, it is important to consider that a deepening of capitalist social property relations was an integral part of the neoliberal project. Implementing neoliberalism entailed a speedy process of commodifying resources which facilitated the accumulation of capital within a free market framework. The role of the state in a liberalized housing market would be minimal as the state withdrew from planning and production of housing and adopted a new role that was restricted to facilitating housing financing through subsidized mortgages. In a sense, the solution to the housing that has characterized Egyptian society for decades was to enable workers and peasants to participate in the market by removing rent controls and the state's role in production. Both of these were seen as fetters on the free market.

Over the course of the 1990s and 2000s, rent controls were dismantled, evictions from informal housing sites picked up pace and slum clearing took centre stage in the government's housing policy. The goal of housing policy was to free the land from its inhabitants who lacked legal titles and transform it into private property. In the process, different categories of land ownership that were either under communal regulation or rent control gradually were brought into realm of the free market subject to its imperatives.

This strategy can be seen as accumulation by dispossession – especially in the case of housing. The liberalization of the land and housing markets presented developers with the opportunity to engage in mass land grabs with the help of the state and its coercive and legal powers. For workers and peasants, the liberalization of land and housing markets wiped out past gains while subjecting them to the arbitrary powers of landlords and developers who came to determine access to housing. The consequences of neoliberalism in housing and land sectors were disastrous as the private sector did not respond to demands for low income housing. In fact, neoliberal policies exacerbated the existing housing problems leaving workers and peasants unprotected and subject to liberalized rents and prices. Within a few years of the implementation of Law 96/1992, over a million peasants and small farmers lost access to their land and housing. In urban Egypt, the privatization of public sector firms ended secure jobs for workers while the adoption of Law 4/1996 ended their access to public sector housing. The combination of these two factors carried deep implications for workers' livelihoods and shelter. The dismantling of rent control laws and inheritable leases, the privatization of agricultural land and the rejection of peasants' claims to land and to housing led to a dismantling of social property relations that were based not only on Nasser's Arab Socialist ideals, but also on communal values and norms.

The transformation of social-property relations was supported by state institutions and neoliberal ideological think tanks linked to powerful interests inside and outside of Egypt including the supreme court, the security apparatus, the NBE and the CBE as well as the Egyptian Centre for Economic Studies (ECES). Their intended goal was to change the balance of class power in a decisive manner in the interest of a ruling class that was behind the neoliberal project – and that often personally benefited from the acquisition of privatized assets. The consolidation of the power of this new ruling class within a "free market" economy framework would not have occurred had it not been precisely for the strategy of accumulation by dispossession of the state that transferred public resources to the members of this new ruling class.

These transformations sharpened the existing class conflicts as workers and peasants saw the radical erosion of not only their livelihoods, but also of their shelter. Indeed, privatization of public enterprises and agricultural sector were carried out and enforced through violence carried out by state security personnel. As their poverty and misfortune deepened, workers and peasants witnessed the rise of a parallel Egypt where mega malls, luxury resorts and western style gated communities defined this new Egypt. This deepening divide was expressed clearly by a young man in Karnak, Luxor who I interviewed in 2008. While preparing to defend their houses against the governor's bulldozer, the young man, comparing the regime of Mubarak to the housing demolitions of the Israeli state, stated that Mubarak was worse since he was a Muslim doing injustice to his Muslim subjects sanctioning expropriation and dispossession of his own people. In short, being subjected to the imperatives of the free market, workers and peasants across the country increasingly resented the government, its policies and especially its coercive arm – the security forces. Social protests which had begun in the 1990s, picked up pace after 2004 as pro-market reforms were deepened threatening workers and peasants' livelihoods. Workers increasingly resisted the privatization of public sector firms and demanded living wages and a cap on prices of basic commodities and rents. Over the course of the 2000s, the number of annual workers' actions had reached hundreds resulting in the mobilization of youth and other sectors of Egyptian society. Finally, popular challenges to the newly conceived social property relations of the Mubarak regime grew stronger over the course of the 2000s leading to the overthrow of the government in January of 2011.

The challenges faced by workers and peasants fundamentally exposed the myth of capitalist integration and globalization as the solution to the problems of poverty, unemployment and housing. A reversal of the changes carried out under Mubarak will require a pro-longed process of organizing by workers and peasants through unions and cooperatives that can democratically represent their interests. To reverse the trend of the rampant construction of luxury villas, resorts and gated communities which were bold manifestations of a neoliberal social order, and to put affordable and adequate housing on the political agenda, will require a fundamental challenge to the neoliberal model and to the class interests that uphold and promote this model. A starting point entails the hard work of organizing workers and peasants across the country as well as building alliances with activists and progressive intellectuals.

Market Transformations, Political Crisis and Future Research

This study has made a number of contributions. First, it has contributed to the literature on the political and economic developments in Egypt since 1991. More specifically, it has made a contribution to the study of neoliberal developments in the Middle East. As pointed out in Chapter Two, Wood's insights on market dependence can inform our understanding of the coercive nature of markets that have emerged in Egypt since the country embarked on the path of a 'free market' economy (2002). The generalization of market dependence has not been separate from ruling class' strategies of accumulation by dispossession. As such, the liberalized markets – such as the land and housing markets – in Egypt assumed the new role of mediators of capitalist social property relations.[105]

Second, it has situated the housing crisis within the larger context of a shift towards neoliberalism. In doing so, this study has moved away from the narrow confines of housing policy as the study of market supply and demand regulated by interest rates and property right to examine the struggles over housing as an aspect of broader social struggles over rights to land and resources. As such, I have highlighted the manner in which deeper economic integration of the Egyptian economy was

[105] The social changes that went hand in hand with the creation of 'free markets' provoked the political crisis of the 2000s and the eventual downfall of the Mubarak regime.

coupled with an imposition of market imperatives to which workers and peasants were subjected. Third, through the case studies, I demonstrate the way in which market dependence operated and shaped access to housing in urban and rural areas. Finally, this study highlighted the emerging contradictions of deepening of capitalist relations in Egypt by underlining the emergence of an oppositional movement of workers and peasants which ultimately led to the fall of Mubarak and seriously questioned the strategy of accumulation by dispossession that was adopted in 1991.

This dissertation aimed to bring into focus the issue of social struggles, especially those around property relations and the role of the state and the need to take these issues in the study of conflicts in the region seriously. As such, through this study, I hope to have opened a small window to the study of the region that avoids the tropes of stereotypes such as religion and culture among others which have traditionally been attached to the region. It is also hoped to provide a balance against studies that privileges inter-state conflict (Foreign Policy Studies) at the expense of social conflicts within states in the region.

As the Middle East as a region has seen a radical political change that has opened up avenues for social struggles, an obvious direction for future research would be to examine the housing question in the post-revolutionary period of 2011 to the present, and how the revolutionary context has affected the degree of market dependence of peasants and workers. A second direction would be to conduct a comparative study of strategies of accumulation by dispossession in the region to assess the degree of market dependence imposed on these societies and how these changes have affected the nature of social conflict. Finally, a third avenue for future research would be to situate the changes in social property relations in Egypt within the field of study of global land grabs.

Appendices

Appendix A. Rent Control Laws

Pre-Nasser Land Laws related to housing and real estate

Ottoman Land Law 1858	Defined five categories of land tenure. Anyone who could convert dead land to liveable use would own it. The law tried to control the *Waqf* movement by establishing a state land system. Ownership for those who worked and occupied state lands. Registration of state land under the *Taboo* system.
Land Law 1936	Adjustments of tenure status for public land holders, who held the land for more than 15 years without any conflicts or disputes over it. State land holders could own their land, in a period of 15 years, if they would be able to use it in a period of 5 years.
Egyptian Civil Law (1949)	Uncultivated and unclaimed 'owned' land became state land. The government could sell, rent or use these lands. State permission is required to use or dispose of these 'state' lands.
Military Order /1941	Early orders April 1941: Eliminated the owner's right to

	evict any renter, except in the case of non-payment of rent. Fixed all the rent levels to the values of April 1941.
Law No. 114 of 1946	Regulated the registration of title deeds (sejel shakhsee) in urban areas.
Housing Law No. 121/1947	(World War II to 1947) froze rent levels, and related rent to their total cost.
Law 121/1947	Reduced rents by the amount of taxation on real estate around 13.7 per cent. It affected houses constructed before January 1, 1944.

Nasserist Land Laws related to housing and real estate

Law 199/1952	Reduced the fixed rents in leases by 15 per cent on October 1952 and affected houses built from January 1, 1944 to September 1952.
The Egyptian Military Order 129/1952	Rent reduction by 15 per cent for all housing units between 1944 and 1952, with no owner's right to challenge it.
Military Order 169/1952	A new tax of 13.7 per cent of all rents, even on units built before 1944.
Housing Law of 1954	New reduction for all rental units by 20 per cent without exemption. Article 56/1954 gave renters the right to complain about maintenance, which may result in a rent reduction.
Law 55/1958	In July 1958, this law reduced fixed rents in leases by a further 20 per cent and affected houses built Between September 18, 1952 and June 12, 1958.
Law No. 168/1961	Nasser's Socialist Society 1961, all rents to be reduced by 20 per cent, for all units, without exemption, without challenge.
Nationalisation laws, 1961	Transformation of the 61 largest privately owned properties, including residential complexes, into public property; Limited ownership to 100 feddans per family that included desert and uncultivated land.
Law 46/1962	With this law, rent committees were established to determine annual total rent at 5 per cent of the cost of land plus 8 per cent of the cost of buildings on houses built from November 6, 1961 to September 1977.
Law 168/1961	In December of 1962, this law further reduced fixed rents in leases by 20 per cent on houses built between June 12, 1958 and November 5, 1961. Law 169/1961 On January 1, 1962 this law reduced rents 13.7 per cent (deduction by the amount of taxation on real estate on houses built between June 12, 1958 and November 5, 1961.
Housing Law No. 46/1962	Determined rent value as 3 per cent of land value and 5 per cent of construction cost.

Housing Sector Socialisation Act 1964	Total conversion from private ownership to public ownership for the largest 119 construction companies. Combined them in 35 public agencies, which also manage the residential properties socialised in 1961.
Law 7/1965	In March, 1965, rents were further reduced by 20 per cent.
Housing Law No. 52/1969	Gave renters the right to inherit rental units. Prohibitions of side payments, advance rent, or key money.

Sadat's Land Laws related to housing and real estate

Housing Law No. 49/1977	Determined rent as 7 per cent of total cost; allowed foreigners to purchase units, and allowed units to be sold as condominiums; Article 48 of the Law gave renters right to exchange, release, or re-rent their units without owner's permission; Rent committees set annual total rent at 7 per cent of cost of land plus 10 per cent of cost of building on houses built since September 1977.
Law No. 59 of 1979	concerning new urban communities
Housing Law No. 136/1981	exempted luxury units from rent control; Article 15 of the law gave investors access to low interest rate loans provided by State Agencies and public sector banks; Extended the power of the landlords by claiming to introduce an 'equilibrium' in tenant/landlord relationship, as it was claimed that Nasserist laws were too anti-landlord; made small amendments [to rent control law] such as allowing 30 per cent instead of 10 per cent of the units in a building to be sold (Tamlik) rather than rented.
Law No. 143 of 1981	Regarding desert land.

Mubarak's Land Laws related to housing and real estate

Urban Planning Law No. 3/1982	Requirements and regulations concerning urban growth limitations, legal urban land subdivision, land use, land conversion and land invasion.
Housing Regulation No. 2/1986	Gave tenants right to obtain a new, separate lease from the owner, with the permission of the previous tenants.
Law No. 10 of 1990	Regarding the expropriation of real estates for the benefit of public utilities.
Land Law No. 7/1991	Defined the responsibilities and the intuitions that could manage and exhaust land for uses included in law No. 143/1981 with the exception of land for military uses.
Law No. 25/1992	Enforced measures of demolition in case of permit

	violations, made civil engineers responsible for supervising construction projects, formed technical committees to supervise the quality and safety measures and standards.
Law No. 96/1995	Privatization act of publicly owned land by authorizing the selling of land through public institutions. Rules and requirements for subdivisions and conversions of desert lands to urban use.
Law No. 4 of 1996	Deregulated the rental market and introduced a new relationship between tenants and landlords; short term leases were introduced and rent increases were legalized. Rents on all units are to increase annually by 10 per cent for five consecutive years, after which the market is supposed to take over.
Law No. 230 of 1996	Concerning the ownership regulations of real estate and land for foreigners.
Law No. 6 of 1997	Concerning the amendment of the second paragraph of Article 29 of Law No. 49 of 1977 and provisions on related, to the rent of non-residential premises.
Law No. 7/1997	Requirements and regulations concerning the subdivision rules according to the type and proposed use of land.
Law No. 3 of 2001	Concerning regulation of Real Estate Issued by decree and its amendments.
Law No. 148 of 2001	Regarding the issuance of Real Estate financing Law and its executive regulation.
Law 2003	Mortgage Finance Law.
Law No. 137 of 2006	Concerning the amendment in addition to the provisions of Law No. 4 of 1996.
Law No. 138 of 2006	Concerning real estate supply with the necessary utilities.
Law No. 144 of 2006	Concerning the demolition of buildings and installations.

Appendix B. The Legal Framework Governing Land Tenure

Laws	Purpose and Implication
Ottoman Land Law 1858	Defined 5 types of land tenure; owned land, state land, *Waqf* land, public use land and *mawat* or dead land (desert, unliveable). The Law tried to limit *Waqf* process by establishing the state land authority. The developer of any

	dead land who changed it into liveable land could own it.
Land Law 1936	Holders of public land for 15 years without any conflicts or dispute could own it.
Land Subdivision Law No. 152/1940	Regulations for agricultural land subdivision and irrigation.
Egyptian Civil Law 1949	Uncultivated and unclaimed owned land becomes state land. Government controls this land.
Agricultural Reform Law No. 178/1952	Limiting ownership to 200 feddans per adult and 100 feddans to all family children. The government would compensate owners for the rest. The land taken would be transferred to General Agricultural Reform Authority to be redistributed to peasants.
Modification to Agricultural Reform Law 1958	Limiting ownership to 300 feddans per family. Restricting the use of some desert land. Ministry of Military controls vital security lands.
National Land Law 1961	Limiting ownership to 100 feddans per family that included desert and uncultivated land. Nationalize the properties of large scale landlords. Captive land is the property of government.
Agricultural Reform Law 100/1964	Under the Law, all desert land became State land.
Agricultural Law 53/1966	The maximum period for leaving agricultural land uncultivated was set at two years. The Law regulated rules for building on agricultural land.
Modifications Law 50/1969	Organized the selling/renting of captive land to recover money to be used for financing agricultural projects.
Modification to Land Subdivision Law 52/1975	Regulation for converting agricultural land to urban uses, land reclamation requirements, and establishing land subdivision committee.
Agricultural Law 170/1978	The Law regulated rules for subdivision and conversion of agricultural land to urban uses.
Law 143/1981	The Law allowed the utilization of desert land for military, New cities, tourism and reclamation uses.
Urban Planning Law 3/1982	The Law regulated planning, regulation, land use, urban growth boundaries, land subdivisions and protection of agricultural land.
Modification to Agricultural Law 116/1983 (3rd book)	The modifications prohibited the conversion of agricultural land to urban uses without approval of minister of agriculture. Removal/demolition decrees for any illegal deformation of agricultural land or construction of red brick factories to be issued by minister of agriculture and

	prohibiting construction only if it was for housing or other uses.
Land Law 7/1991	The Law defined institutions and responsibilities for managing land subjected to Law 143/ 1981 except land for military uses.
Law 96/1992	The Law revoked the previous Agricultural Land Reform Law of 178/ 1952 through liberating the land market and abolished the previous lease system in an effort to cut direct governmental support to agricultural inputs.
Land Law 96/1995	The Law legalized the privatization of publicly owned land by authorizing the selling of land through public institutions and regulating rules for subdivision and conversion of desert land for urban use.
Military Decree 1/ 1996	The Decree prohibited and criminalized any conversion of or building on agricultural land.
Presidential Decree 2004	The Decree cancelled the Military Decree No. 1 /1996

Source: Madbouly (2005).

Appendix C. Interviews (2005, 2007-08)

No.	Interviewee	Age Group	Occupation	Location	Year
1	Female	30s	Housewife	Nubian Village, Aswan	2008
2	Female	20s	Housewife	Nubian Village, Aswan	2008
3	Female	30s	Housewife	Sharq al Batinyoul, Aswan	2008
4	Male	30s	Government employee	Sharq al Batinyoul, Aswan	2008
5	Male	50s	Construction worker	Karnak, Luxor	2008
6	Male	30s	Construction Worker	Karnak, Luxor	2008
7	Male	20s	Construction Worker	Karnak, Luxor	2008
8	Male	30s	Taxi Driver	Karnak, Luxor	2008
9	Male	20s	Day labourer	Karnak, Luxor	2008
10	Male	30s	Day Labourer	Karnak, Luxor	2008
11	Female	40s	Housewife	Karnak, Luxor	2008
12	Male	30s	Teacher	Karnak, Luxor	2008
13	Male	50s	Construction Worker	Karnak, Luxor	2008
14	Male	30s	Construction Worker	Karnak, Luxor	2008
15	Male	50s	Retired Teacher	New Gurna,	2008

				Luxor	
16	Male	30s	Tour Guide	Dendara, Qena	2008
17	Female	30s	Peasant	Mattia, Qena	2007
18	Male	50s	Police Chief	Mattia, Qena	2007
19	Female	30s	House wife	Rafa'a, Sohag	2007
20	Male	60s	Unemployed	Rafa'a, Sohag	2007
21	Male	40s	Ancient Temple Guard	Abidus, Sohag	2007
22	Female	40s	Housewife	Abyouha, Asyut	2007
23	Female	40s	Housewife	Minya	2007
24	Female	30s	Housewife	City of the Dead, Minya	2007
25	Female	40s	Small Tenant farmer	Al Sultan, Minya	2007
26	Female	30s	fruit seller	El Hadiqa, Fayoum	2007
27	Female	50s	fruit seller	El Hadiqa, Fayoum	2007
28	Male	40s	Small farmer	El Hadiqa, Fayoum	2007
29	Female	30s	Hotel Cleaner	Abu Selim, Beni Suef	2007
30	Male	40s	Small Farmer	Abu-Selim, Beni Suef	2007
31	Male	30s	Tenant farmer	Abu Swalem, Beni Suef	2007
32	Male	40s	Small farmer	Abu Swalem, Beni Suef	2007
33	Male	40s	Small farmer	Abu Swalem, Beni Suef	2007
34	Male	30s	Small farmer	Minoufiyya	2007
35	Male	40s	Small farmer	Minoufiyya	2007
36	Male	30s	Accountant/Medium size farmer	Minoufiyya	2007
37	Male	40s	Medium size farmer	Kafr el Wan, Minoufiyya	2007
38	Male	30s	Small farmer	Kafr el Wan, Minoufiyya	2007
39	Male	30s	Small farmer	Kafr el Wan, Minoufiyya	2007
40	Male	30s	Farmer	Qalyoubiya	2007
41	Male	50s	Big Farmer (50 feddans)	Qalyoubiya	2007
42	Male	30s	Worker	Qalyoubiya	2007
43	Male	40s	Driver	Qalyoubiya	2007
44	Male	30s	Blacksmith	Qalyoubiya	2007
45	Male	40s	University Professor	Cairo City	2007

46	Male	50s	Government Housing Official	Cairo City	2007
47	Female	40s	Housewife	City of the Dead, Cairo	2007
48	Female	50s	Housewife	City of the Dead, Cairo	2007
49	Female	30s	Housewife	City of the Dead, Cairo	2007
50	Female	40s	Housewife	City of the Dead	2007
51	Female	40s	Housewife	City of the Dead	2007
52	Female	30s	Journalist	Cairo City	2005
53	Male	30s	Teacher	Al Salam, Cairo	2005
54	Male	30s	Journalist	Cairo City	2005
55	Male	50s	Journalist	Cairo City	2005
56	Male	70s	The General Guide of the Muslim Brotherhood	Cairo City	2005

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