

Kuwait Readies to Provide Further Aid to the Egyptian Economy, An *Al Ahrām* Exclusive with Moataz Al Alfi

In an exclusive interview with *Al Ahrām*, notable Egyptian businessman and CEO of EK Holdings — a joint venture linking the Egyptian government, Egyptian petroleum companies and Arab Kuwaiti funds — Moataz Al Alfi, confirmed that Kuwait's US\$ 4 billion aid to Egypt represents only the beginning of the Gulf state's commitment to assisting Egypt in traversing the difficult road to democracy after its glorious 30 June revolution.

He added that Kuwait's contribution will involve large scale national infrastructure projects, which will only serve to reaffirm long standing ties of friendship and brotherly love between the two nations. In addition to being a close insider in the economic aspect of this relationship, Mr. Al Alfi is a leading Egyptian industrialist who has dedicated the bulk of his efforts to meeting the demands of social responsibility in addition to his unwavering commitment to the resurgence of the prospects of Egypt's youth, a fact that is demonstrated in his appointment as the first Egyptian member of the Board of Trustees at the American University in Cairo.

How long was your most recent visit to Kuwait? What were the highlights of that trip?

My visit to Kuwait took five days, during which I met with shareholders and investors of EK Holding and members of notable Kuwaiti organizations. The purpose of this visit was to offer my sincerest gratitude for all their efforts in securing the US\$ 4 billion aid to the Egyptian economy, half of which was deposited in the Central Bank of Egypt whereas US\$ 1 billion was provided in the form of petroleum products, while the remaining US\$ 1 billion was offered as a financial endowment. Kuwait exports to Egypt with significant incentives, such as a 90 day payment grace period which was extended five years ago to 180 days. Since Kuwait's liberation, Egyptians represent the largest expatriate labor force in the Gulf state, as Egyptians seeking employment find hardly any difficulties obtaining the required visas, a fact which is unique to the bilateral relations of the two nations. Currently, remittances from Kuwait have grown to reach the levels of those coming from Saudi Arabia (which is home to a larger number of Egyptian workers). This is largely attributed to the rise in wages there for Egyptian employees.

There has been a noticeable shift in the position of the GCC countries with regards to Egypt post-30 June. How do you account for this shift?

They say Egypt has been restored in the eyes of the Arabs.

Is it purely the political aspect of the situation or are these countries anticipating a drastic economic change?

Changes in the political landscape will undoubtedly lead to economic change. Their expectations are that development and investment will flourish. The economic ties between both countries were good but were diminished as a result of the January revolution. However, at its core, these bonds of mutual prosperity remain and are driven by a genuine desire and enthusiasm by Kuwait

to see Egypt's economy grow. All we need to do is plan important and significant development projects that will add value to the national economy.

Can the GCC funds — which amount to US\$ 12 billion — transferred to Egypt after 30 June seal the gap in our resources?

Funds from the Gulf States will stem the economic bleeding for another year at least. The hope is that during this period Egypt can sign the IMF agreement, which in itself is a validation that we need to access greater funds from international financial institutions.

What are your views on the new government?

The current government represents the best possible hope and option moving forward, and the acceptance of these individuals of their new appointments at this challenging time reflects their integrity and patriotism. Many had blamed the economic woes of the country on technocrats who refused appointments as ministers under the Muslim Brotherhood. Their refusal stems from a sense of frustration that they were being propped up as politically neutral officials, where all the while, the Muslim brotherhood would proceed with their own agenda. This non inclusive attitude by the regime was what led to the mass resignations and not (as they would later claim) a refusal by these officials to cooperate with them. In effect, they refused to be curtains covering the underhanded tactics and policies of the Brotherhood.

What are you looking for in the government of Dr. Al Biblawy?

First item would be reconciliation with businessmen. Out of a labor force of 22 million people, 18 million are employed by the private sector. Hence, it is vital that this sector operate free of intimidation. Second item would be creating an atmosphere of trust and cooperation, by ending long drawn out litigation and cases against corporations until a normalized economic situation is achieved.

Regarding the energy sector, back payments by the state to petroleum companies must be paid. Payments could be achieved through Gulf funds entering into joint ventures with oil and gas producers. Investing in the sector is a viable alternative for Arab countries than purchasing oil and gas at inflated prices and would contribute in lowering the financial obligations of the state. Partnerships with Arab countries will help assuage the fears of those looking to invest in Egyptian petroleum sector, in addition to maximizing the output levels of the country. I also urge industries to utilize coal as a fuel source despite its reputation as a 'dirty' resource, because importing coal is significantly cheaper than oil and gas. Its use has proliferated in many other countries such as Australia, India, China and Yemen and across a variety of sectors such as the cement industry. Egypt also has the technological capabilities to process the waste generated from its use.

The current economic state of the nation has rendered investing in clean renewable energy unfeasible for the time being. The cost of revamping the energy infrastructure to accommodate extensive use of renewable energy would be extremely burdensome on the average citizen and

will require the concerted efforts of many states to achieve this. However, as an initial step towards sustainability solar power could be implemented on a small scale.

What are your views on the businessmen reconciliation initiative under the Muslim Brotherhood?

Reconciliation has to be achieved through a well established legal framework, as was the case during the eighties and nineties, when the Central Bank Law was amended to allow for the pardoning of businessmen who illegally procured lands and funds in exchange for the restoration of those funds. The same situation can be applied to the current situation with the misuse of public funds. Having a transparent and clear legal system outlining the conditions for pardoning or commuting sentences is vital to the process.

Do you believe that fraudulent and corrupt procurement of lands and favors was present before the January Revolution?

It is likely, however, these allegations are for the courts to decide. Only the judiciary can exonerate and convict. Maintaining a strong and independent judiciary is the surest way to guard against hearsay and the court of public opinion, a fact that is evident in the acquittal of businessmen and officials who were charged with corruption after the January revolution. The rule of law will also reassure foreign investors as it will guarantee their contracts and agreements with the government.

How could the excessive bureaucracy which is characteristic of the investment sector be dealt with?

Our relationship with the Investment Authority dates back to 1974, at a time when decisions and actions were taken swiftly. The golden age was during the tenure of Gamal Al Nazer and Mohey Al Deen Al Ghareeb. Today, the level of red tape has become excessive to the point where successfully processing paperwork takes no less than six months, whereas it used to take two weeks to handle the same amount despite Osama Saleh's best efforts. I could see where that level of red tape would be required for newly formed companies, but I see no reason why delays should exist for already well established financial entities, especially as most of the income generated by these entities comes from foreign capital.

Where do you stand on the issue of progressive taxation?

Under the Nazif government, taxes were lowered to 20% from 40%. This led to an increase in overall tax revenue, which I attribute primarily to a marked decrease in tax evasion as taxes became affordable. Rates of tax increases today will only hurt foreign investment. Stabilizing the rate of increase at 5% would be acceptable. Anything more would be unfeasible for the average investor who would rather see his or her capital accrue interest in a bank than risk investing. Progressive taxation cuts both ways. While on the surface it seems like it would generate greater income, it stifles commercial and industrial activity. With the current business climate being what it is, I feel that now is the worst time for progressive taxes.

And what of estate taxes?

It should be implemented with the exclusion of primary residential property. Estate taxes should be levied exclusively on secondary homes and properties. Including primary estates will only complicate the tax system and significantly weaken the real estate market. This is precisely what occurred when Youssef Boutros included residential property into the estate tax. The West taxes property reliably and in the Gulf States estate taxes are nonexistent.

What are the major problems associated with investment in agriculture?

The greatest problem facing investing in agriculture has to be the lack of a formalized and consistent system of land tenure. The existing mechanism that guides property ownership for arable land, *Wad' Al Yad*, by which property ownership is implied if the claimant has developed the land, is grossly inefficient. And while this system functioned with relative ease under the Sadat era, the complications arising from multitudes flocking to obtain land have rendered this quasi-formal system inept. As such the country needs to adapt to the changing situation by instituting a formalized legal framework, one that will incentivize and allow the investor to prosper from land development in addition to curbing the dangers of land speculation.

Concerning the energy sector, what are your views on liberalizing energy prices?

Rationalizing subsidies is fundamental and necessary to reviving the economy. It should be done gradually and categorized by the energy usage of industries, with differing pricing schemes drawn up for energy intensive, medium energy usage, and light energy industries. These schemes are currently being drawn up by various industry associations.

We currently import 60% of our food supplies. How do you judge the state of investment in the food industry considering the aforementioned statistic and the high prices involved?

The cost of domestic production is high and that is because we import raw goods at high prices. This is a more practical option than importing processed goods as processing these goods domestically will generate employment. However, in order to sustain domestic food production it is vital that the government get involved and create the conditions necessary to maximize the exploitation of domestic food resources.

Did genuine economic reform exist at any point during the Mubarak regime and what were the mistakes that led to the 25 January revolution?

Undoubtedly there was a genuine movement towards economic reform during President Mubarak's reign, especially under the tenure of the Nazif government. However, these reforms were nullified and were rendered useless when their benefits failed to trickle down to the lower income households. These benefits failed to launch growth at the national level as they were concentrated in the hands of the elite who failed to invest these benefits in the domestic economy. Jobs were not being created, wages never rose, and the development of skilled labor stagnated relative to the global market. This is a stark contrast to the businessmen of previous eras.

In the fifties, businessmen such as Farghaly Pasha, Abu Rajeela, Aboud Pasha and Talaat Harb cycled their wealth into the economy and contributed greatly to the socio-economic development of the country. Their contributions led directly to the rise of the business elite of Sadat's Open Door policy. These businessmen were faced with the stagnation of the 1980s and the 25 January Revolution which led to the exodus of many. The capabilities of those who remained were left severely diminished.

This void must be filled by a new generation of entrepreneurs, which may take thirty years. The advent of modern technology will help reduce this time frame. The rise of economies hinges on the presence of a strong business elite to guide those economies. In the US and Europe, many of the biggest conglomerates were established close to a century ago by a cadre of businessmen and continue to grow and flourish today. Their assets and wealth rival that of entire nations. This is a lesson I try to instill in the youth of today through my lectures at the Franchise Institution.

How can we handle the problem of the youth of the Muslim Brotherhood?

Reconciliation is the key and it must be inclusive to all political denominations. Its value and success is contingent on its recognition and acceptance by all. There can be no consensus through forced actions. Case in point is the example of Sarwat Al Kharbawy, a long-time Brotherhood member who defected from their ranks. When asked why, he simply responded that he was convinced otherwise. Lines of communication and dialogue must be established between the factions. We are all partners here.

Is the one stop window policy being implemented?

No it is not, due to both a lack of direction from the government and hesitation from the business community which is fearful of the arrests that took place as a result of cutting corners.

What is the role of business associations post-30 June?

The new government is going through great lengths to seek out dialogue and establish an understanding with the business community, especially under the stewardship of Mounir Fakhry Abdul Nour, Minister of Industry and Trade and Osama Saleh, Minister of Investment. Their actions are encouraging the business community.

The last Minister of Investments under former president Morsi, Yahia Hamed, spoke extensively on reconciliation.

I really liked Yahia Hamed. I have spoken with him on multiple occasions and was impressed by his vision, and his conviction in supporting investments. I was also impressed with his neutral political stance and he always struck me as a man driven by success. I reached out to him on a number of occasions and he helped resolve particular hurdles within a few days. I am speaking of course on his role and character as a public official and not as a politician. That is a different matter entirely.

Do you think businessmen who went into exile are likely to return?

They will probably return out of filial love for their mother country. As for the resumption of their business activities, I can only speculate. They have suffered extensively during this last period.