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Egypt Rethinking Aid Options

An article in *al-Ahram Weekly* by Eric Walberg highlights Egypt's economic thinking since the January 25 revolution about the application and use of foreign assistance. The following are some highlights.

Since the days of President Anwar Sadat through January of this year, Egypt has relied heavily on Western sources for assistance as well as for loans and credits. Much of the aid money was squandered and stolen, saddling the Egyptian people. Many of them remain poor and unemployed, with a heavy burden of loans that they have to repay in full and with interest. It is recognized, based on other countries' experiences that recapturing the stolen money stashed away in foreign bank accounts is arduous, costly and often not fruitful. One possibility for Egypt to extricate itself from the loan burden is to declare some of the foreign debt as "odious debt," or otherwise illegitimate, an internationally-recognized legal concept.

With looming large budget deficits to finance revolutionary expectations, Egypt sought help from the International Monetary Fund (IMF) which readily agreed to extend a loan for \$3 billion. Uncharacteristically for the IMF, the loan was offered without conditions. The Higher Council of the Armed Forces, Egypt's de facto ruler, was not impressed and General Sami Sadeq, Council member in charge of economic affairs, told the minister of finance Samir Radwan to reject the IMF loan offer. Radwan was able to plug the financial leak with a package of aid from the Gulf countries.

It is possible that the Higher Council of the Armed Forces may have come under the spell of former Malaysian Prime Minister Mahathir Mohamad who turned Malaysia into an economic powerhouse without the help of the IMF. Mohammad met in Cairo with the Chairman of the Council Field Marshall Tantawi to advise him on future economic policies.

Source: *Al-Ahram Weekly On-Line*, Egypt, July 7-13, 2011



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