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BIGGER THAN THE RAS AL-HIKMA DEAL: EGYPTIAN REMITTANCES AND THE RELIABILITY OF THE EGYPTIAN ECONOMY

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Cover photo: A group of people queueing outside the National Bank of Egypt, Hurgada, Egypt - 17 May 2020. (c) shutterstock

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Introduction

Egypt's remittances continue to be a pillar of the Egyptian economy, ranking first among low- and middle-income countries in Africa and the Arab world and fifth globally in terms of the total value of remittances from workers abroad.¹ The accumulation and continuity of remittances from Egyptians abroad is so significant that, on average, it even exceeds the total new inflows from the US\$24 billion deal between the UAE and Egypt to develop the Ras al-Hikma peninsula,² which is classified as the largest deal in Egypt's history according to the prime minister.³

The increasing domestic and international debt service burdens reached the unprecedented level of 92.7% of GDP in 2023.⁴ Egypt's foreign debt has jumped by 257% since Sisi became president in 2014, reaching \$164.7 billion at the end of June 2023, compared to \$46 billion in 2014, according to data from the Central Bank of Egypt (CBE).⁵ The Egyptian government has turned its attention to Egyptians abroad and has launched several initiatives to encourage more remittances in hard currency.

Since the beginning of 2022, the Egyptian government's initiatives and legislation have constituted an unprecedented policy breakthrough in the country's history toward its citizens abroad. This coincided with the outbreak of the Russia-Ukraine war and its negative effects, which further increased the fragility of the Egyptian economy. As the world's largest wheat importer, Egypt depends on wheat imports – one of the most important elements of food security for millions of Egyptians – from both warring countries.⁶ In addition, tourists from the two countries accounted for about 40% of Egypt's

annual beach tourism.⁷

As hot money fled from the Egyptian economy to northern economies, countries such as the US and UK raised interest rates to historic levels. The CBE similarly raised interest levels on the Egyptian pound in general, bringing the overnight deposit and lending rate to 27.25% and 28.25% respectively on 6 March 2024, when the CBE raised interest rates by 6%, the highest increase in its history.⁸ The Egyptian government offered dollar savings certificates to Egyptians living abroad and foreigners with the highest interest rates in the world, according to the Minister of Emigration and Expatriate Affairs (Minister of Emigration).⁹ The Egyptian government went on to offer dollar savings certificates to Egyptians living abroad and foreigners with the highest interest rates in the world, according to the Minister of Emigration.

The Egyptian government's offers to its citizens abroad included: customs exemptions for cars imported for personal use in exchange for a deposit in foreign currency, to be returned after five years in Egyptian pounds according to the exchange rate at the time of return; an offer of final exemption from compulsory conscription for draft evaders or male students abroad over the age of 18, in exchange for a fee of \$5,000 or €5,000; so-called real estate exports, or offering real estate and land for sale in dollars to Egyptians living abroad and foreigners; and insurance pensions such as the US dollar-based pension announced in August 2023 called the "Bakra Pension in Dollars".

Although the Egyptian government has repeatedly announced that these offers and initiatives are limited-time offers to incentivize potential beneficiaries among Egyptians abroad to register quickly and transfer foreign currency to the government, it usually extends the deadlines for these offers, as was the case with the car import facilitation initiative as well as the final exemption from conscription. This indicates the government's interest in maximizing its foreign exchange balance, regardless of the broader effects of these initiatives

1 World Bank Group, "Remittance Flows Continue to Grow in 2023 Albeit at Slower Pace", Press release, 18 December 2023, available at <https://www.albankaldawli.org/ar/news/press-release/2023/12/18/remittance-flows-grow-2023-slower-pace-migration-development-brief>. (World Bank Group, "Remittances Grow at Slower Pace").

2 Out of a total of \$35 billion, with previous UAE deposits to be converted into Egyptian pounds.

3 Mohamed Fathy, "Madbouly: Ras El Hikma investment deal is the largest in Egypt's history" (Arabic), Masrawy, 23 February 2024, available at https://www.masrawy.com/news/news_egypt/details/2024/2/23/2542659; the \$24 billion is out of a total of \$35 billion, with previous UAE deposits to be converted into Egyptian pounds.

4 International Monetary Fund, "General government gross debt", available at <https://www.imf.org/external/datamapper/>

5 al-Sharq Bloomberg, "Infographic: Egypt's foreign debt more than doubles in a decade" (Arabic), 25 December 2023, available at <https://www.asharqbusiness.com/article/58555/>

6 May Gadallah and Nesma Mamdouh, "How the crisis in Ukraine affects Egypt's vulnerable families and children", Economic Research Forum, 4 April 2023, available at <https://theforum.erf.org.eg/2023/04/04/how-the-crisis-in-ukraine-affects-egypts-vulnerable-families-and-children/>

7 Attia Nabil, "Russia and Ukraine: Egypt's tourism sector expected to be affected by war" (Arabic), 18 March 2022, available at <https://www.bbc.com/arabic/middleeast-60778451>

8 al-Sharq News, "Highest increase in history. Central Bank of Egypt raises interest rates by 6% to 'fight inflation'" (Arabic), 6 March 2024, available at <https://asharq.com/reports/81965/>

9 Ministry of Emigration and Egyptian Expatriate Affairs, "At the invitation of the Cabinet Information and Decision Support Center. The Minister of Emigration is a keynote speaker at a workshop to discuss ways to boost remittances from Egyptians abroad at the conclusion of the "Thinking for our Country" initiative" (Arabic), 24 October 2023, available at <https://www.emigration.gov.eg/DefaultAr/Pages/newsdetails.aspx?ArtID=2191>, (Ministry of Emigration, "Minister of Emigration is a Keynote Speaker").

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and offers on the social contract in general, which further increases the rentier nature of the Egyptian economy. The prime minister's statement, "Exporting real estate is an important source of foreign exchange", is evidence of this pattern.

The paper reviews the growing importance of remittances, not only in their value and centrality to the Egyptian economy, but also in the roles that Egyptians abroad may play as a result. It also lists some of the most prominent initiatives and offers by the Egyptian government to its citizens abroad aimed at enhancing sources of foreign exchange. It analyzes and predicts what this policy could mean in terms of shifts in the Egyptian social contract.

The Importance of Egyptian Remittances and the Logic of the State's Policies On Them

Egyptians abroad are a numerical and economic force

The number of Egyptians abroad has more than quintupled since 2013, from 2.7 million in 2013 to 14 million Egyptians abroad in 2023, according to official statistics as reported by the Minister of Emigration.¹⁰ Regardless of the accuracy of the figures (many statistics and figures in Egypt need careful review in terms of calculation methodology and how "Egyptians abroad" is defined), these figures reflect a situation that can be sensed in many Egyptian circles: increasing waves of emigration from Egypt, especially after years of political tensions with the July 2013 regime. This trend could even increase following the recent economic and monetary crisis. Total remittances from Egyptians abroad increased from \$18.5 billion in 2013-2014 to reach an all-time high of \$31.9 billion in 2021-2022.

The Egyptian pound collapsed against foreign currencies, officially losing more than 400% of its value as part of measures taken by the Egyptian government to liberalize the exchange

10 Mohamed Megally, "Minister of Emigration: The number of Egyptians abroad reaches 14 million" (Arabic), Cairo 24, 13 July 2023, available at <https://www.cairo24.com/1831131>

rate over five time periods.¹¹ The first was in November 2016 after structural reforms linked to the International Monetary Fund program, followed by three consecutive measures in less than a year (March and November). The value of the Egyptian pound fell against the US dollar from around 8 pounds to \$1 before November 2016, then to stabilizing for years at around 15 pounds per \$1, before jumping to 31 pounds in February 2023 and then to around 50 pounds with another exchange rate movement on 6 March 2024.¹²

Table 1: Continuous devaluation of the Egyptian pound*

Year	EGP/USD
1975	1.25
1977	2.5
2002	3.4
2003	6.2
2015	7.72
November 2016	18.1
2021	15.65
March 2022	18.21
October 2022	24.06
January 2023	26.36
2023	30.88
March 2024	50.20

*Note: Compiled by researcher from CBE data

In this regard, remittances from Egyptians abroad have always played a pivotal role and formed a pillar of the Egyptian economy; Egypt ranked first among low- and middle-income countries in Africa and the Arab world and fifth globally in terms of the total value of remittances from workers abroad.¹³ Despite a decline from previous years, remittances from Egyptians abroad still accounted for nearly 22% of Egypt's \$99 billion foreign cash flows in 2022-2023, which is more than double the proportion of total foreign cash flows from direct investments; more than the Suez Canal revenues (which are about 9%); and more than the proportion of tourism-based foreign exchange earnings, which contributed about 14%.¹⁴

11 Al-Mal, "The pound loses 216.304% of its value in two years" (Arabic), 7 March 2024, available at <https://almalnews.com/> (al-Mal, "The pound loses 216% in two years")

12 Al Hurra, "From Mubarak to Sisi to Morsi. The trajectory of the dollar versus the pound in Egypt" (Arabic), 6 March 2024, available at <https://www.alhurra.com/egypt/2024/03/06/>

13 World Bank Group, "Remittances Grow at Slower Pace".

14 Information and Decision Support Center, "Main Sources of Foreign Exchange Earnings in 2022/2023", Egyptian Cabinet, 20 November 2023, available at <https://www.idsc.gov.eg/InfoGraph/details/1315>

Table 2: Total remittances from Egyptians abroad

Year	Remittances Received (USD billions)
2009	\$7.15
2010	\$12.45
2011	\$14.32
2012	\$19.24
2013	\$17.83
2014	\$19.57
2015	\$18.33
2016	\$18.59
2017	\$24.74
2018	\$25.52
2019	\$26.78
2020	\$29.60
2021	\$31.49
2022	\$28.33

Source: World Bank data

It can be concluded that one of the main reasons why remittances from Egyptians abroad rose to an all-time high of \$31.9 billion in 2021 was the repercussions of the global pandemic.¹⁵ The pandemic resulted in more medical and preventive needs for expatriate families residing in Egypt; it also had a significant impact on many businesses, which resulted in more transfers from the savings of Egyptians abroad. Not to mention that many Egyptians returned home, either temporarily or permanently. Thus, the decline in total remittances from 2022 can be understood through the 2021 peak’s connection to the pandemic; in addition, there is significant reliance on banks as a method of transfer, but with the increasing gap between the official price of foreign currencies and the unofficial price, some Egyptians prefer to convert their foreign currency in the parallel market, thus removing money from the officially calculated total remittances. This gap between the official and unofficial exchange rates increases reliance on the cash economy instead of using banks, as cash is a tool for further hedging the difference between the official and unofficial exchange rates for remittances from abroad.

15 al-Sharq Bloomberg, “Remittances hit an all-time high. 31.5 billion USD in remittances from Egyptians abroad in 2021” (Arabic), 14 March 2022, available at <https://www.asharqbusiness.com/article/34931/>

Levies and rent-seeking policies toward Egyptians abroad

The Egyptian government views remittances from Egyptians working abroad as one of the most important sources of hard currency in the country, and aspires to steadily increase these remittances.¹⁶ According to the Minister of Emigration, Suha Gendi, the government is looking to capitalize on the Indian experience, as India was the country with the most remittances from its citizens, with annual remittances exceeding \$100 billion.¹⁷ Extending the line of this policy, achieving this would require a huge population increase in the most populous country in the Arab world – about 106 million people – to match India, which is the most populous country in the world, recently surpassing China. At a minimum, it would require at least a doubling of the number of Egyptians working abroad, comparable to the over 32 million Indians working abroad.¹⁸

It is worth noting that Egyptian governments have historically tried to impose additional taxes and fees on Egyptians working abroad; one such example was requiring all state employees to obtain a permit to travel abroad, which was known as the yellow certificate, which lasted for decades from the 1960s until the 1990s. Former Prime Minister Kamal al-Ganzouri, whose government (1996-1999) abolished it, described it as “wasting the most basic of Egyptian human rights, the right to travel”.¹⁹

In addition, in the late 1980s under former President Hosni Mubarak, the government imposed a tax on the salaries of Egyptian workers in the public sector and state agencies abroad under Law 229 of 1989. This was challenged as unconstitutional, and it took four years for the Constitutional Court to affirm, ruling that:

There is no legitimate interest to be gained from adopting a legislative regulation that merely seeks to develop state resources by establishing a tax that lacks its formal forms or whose elements and motives do not have the objective foundations on which they should be based, because collecting money in itself is not an objective protected by the constitution, but must be in accordance with its rules and the application of its provisions.²⁰

16 Ministry of Emigration, “Minister of Emigration is a Keynote Speaker”.

17 Ministry of Emigration, “Minister of Emigration is a Keynote Speaker”.

18 India’s Ministry of External Affairs, “Population of Overseas Indians”, Government of India, available at https://www.mea.gov.in/images/attach/NRIs-and-PIOs_1.pdf

19 Kamal al-Ganzouri, *Egypt and Development* 3rd ed., Cairo: Dar al-Shorouk, 2014, p. 48, (al-Ganzouri, *Egypt and Development*).

20 Official Gazette, Constitutional Court Judgment, No. 51, 23 December 1993, p. 3033.

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Instead of repealing the unconstitutional law, President Mubarak submitted a new law to the People's Assembly that passed in 1994, imposing taxes on all workers abroad, not only those working in the public sector, and dividing the taxes into brackets according to income.

Al-Ganzouri's succeeding government decided to cancel the income tax on expatriate workers because it violated the constitution, in addition to refunding all amounts collected from Egyptians working abroad since the issuance of the first Law No. 229 of 1989, totaling 210 million pounds (about US\$4.38 million) at the time.²¹

Despite this compensatory policy, which is rare in the history of modern Egyptian politics, proposals, and draft laws to impose other levies on the labor of Egyptians working abroad continue to resonate. In March 2023, Councilor Bahaa Abu Shoka, deputy of the Egyptian Senate, called for the issuance of a law that would include the compulsory allocation of a percentage of the salary of Egyptians working abroad to the Egyptian state, arguing: "The state is the one who raised them, educated them, and brought them up"; he considered it is right of the state to receive a percentage of the income of Egyptians working abroad, as these citizens were raised under the sky of the homeland and benefited from state services.²²

Such statements by representatives of the legislature or media figures affiliated with the Egyptian security apparatus usually provoke widespread outrage on social media. In the case of Abu Shoka's statement, Minister Gendi was quick to deny that the government had any intention of deducting part of Egyptians' money, stressing: "Remittances belong to the people who worked with them". She further emphasized that the government does not interfere in the personal accounts of Egyptians at home or abroad. The next day, Councilor Abu Shoka retracted his request, asserting that his statement about Egyptians working abroad and their salaries was misunderstood.²³

The most recent of these tax proposals is a draft law announced by Wafd Party chairman and former presidential candidate Abdel Sand Yamama in February 2024 that would require workers abroad to transfer 20% of their monthly income in dollars to Egyptian banks, in order to "get out of the current economic crisis".²⁴ This was met with strong opposition, including from opposing party members of parliament and even from within the same party (al-Wafd) in

the House of Representatives.²⁵

Government Offers Seeking Funds from Citizens Abroad and Exit Restrictions

Offers and initiatives to attract the funds of Egyptians abroad

Since 2022, the Egyptian government has made exclusive offers to Egyptians abroad targeting their foreign currency income. This started with the offer of customs exemption for emigrant Egyptians buying cars: the purchaser must transfer an amount in foreign currency to be deposited for five years in an Egyptian government bank that can be redeemed in pounds at the exchange rate at the time of redemption; and continued through to the offer of conscription exemption for Egyptians abroad who are 19-years-old or older (including those over the conscription age limit of 30), provided they transfer \$5,000 or €5,000 to Banque Misr. These initiatives are in addition to other offers, such as the government's move to establish the Egyptians Abroad Investment Company – which the prime minister called the export of real estate – making real estate units available for sale in dollars to Egyptians abroad or foreigners;²⁶ and offering bank savings certificates such as dollar certificates with a competitive yield of 7% and 9%, the highest in the world according to the Minister of Emigration.²⁷

The most recent offer for Egyptians abroad is the "Bukra Pension in Dollars".²⁸ It is an insurance pension in US dollars that must be purchased through "a credit or debit card from

21 Kamal al-Ganzouri, *Egypt and Development*, p. 47.

22 Monte Carlo International Radio, "Is the Egyptian government planning to impose a compulsory tax on Egyptians working abroad?" (Arabic), 7 March 2023, available at <https://www.mc-doualiya.com>, (Monte Carlo International, "Is Egyptian Government imposing tax?").

23 Monte Carlo International, "Is Egyptian Government imposing tax?"

24 Al-Hurra, "Candidate wants to 'immortalize Sisi's name'. Fears of repeating the scenario of Egypt's previous presidential elections" (Arabic), 15 June 2023, available at <https://www.alhurra.com/egypt/2023/06/15/>

25 Ahmed Imam, "Egypt. Controversy escalates over 'expatriate workers and the 20%' proposal" (Arabic), Sky News Arabia, 4 February 2024, available at <https://www.skynewsarabia.com/business/>

26 Prime Minister's Office, "In cooperation with private sector developers: Prime Minister reviews new initiative to boost real estate exports" (Arabic), 23 November 2023, available at <https://www.cabinet.gov.eg/News/Details/74344>.

27 Ministry of Emigration, "Minister of Emigration is a Keynote Speaker".

28 State Information Service, "Emigration and Financial Supervision launch first dollar-denominated pension policy for Egyptians abroad" (Arabic), 14 August 2023, available at <https://sis.gov.eg/Story/262379/>

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outside Egypt, and it is not accepted for purchase through any card of local banks”.²⁹ The announcement was made by Hisham Okasha, head of the National Bank of Egypt, at a press conference on 14 August 2023 in the presence of Minister Gendi and Dr. Mohamed Farid Saleh, the head of the Financial Regulatory Authority.

All the initiatives and offers targeting expatriates emphasized that they would only be able to benefit from all these offers if they purchased and transferred money from abroad, and that no funds would be accepted from bank accounts inside Egypt. What does this mean for Egyptians abroad and the 106 million Egyptians inside the country? How do these initiatives contribute to changes that, in the long and short term, can lead to structural change at the economic, social, and political levels? The following are some of the themes that are important to highlight.

The initiative facilitating the importation of cars

This initiative provides customs exemptions and import facilitation for cars that Egyptians abroad wish to bring into Egypt for personal use in exchange for them depositing a foreign currency amount equal to 30% of the car’s customs fees in Egyptian banks for a term of five years.³⁰ These amounts must be transferred from bank accounts outside Egypt, and the deposit will be recovered after five years in Egyptian pounds at the exchange rate at the time.

The government has attempted to embellish this initiative as a response to a demand from Egyptians abroad; Minister Gendi stated: “Exempting the cars of Egyptians abroad from customs and duties has been a dream for Egyptians abroad for more than 15 years.”³¹ However, it is also a dream for Egyptians at home. When buying cars, Egyptians face heavy customs taxes imposed on almost all cars, often more than double the price of the car. The timing of the initiative’s implementation (November 2022) makes it easy to conclude that the Egyptian government needed more foreign exchange inflows from outside the country, which was underscored by the emphasis that the amounts required under this and other initiatives must be raised as bank transfers from outside the

29 Statement by the Egyptian Financial Supervisory Authority, Egyptian Cabinet, 14 August 2023, available at <https://www.facebook.com/story.100064812882317>

30 Mostafa Eid, “A jump in two months. The number of registrations for the Egyptian expatriate car initiative has tripled” (Arabic), Masrawy, 11 January 2024, available at https://www.masrawy.com/news/news_economy/details/2024/1/11/2522290/, (Eid, “A Jump in Two Months”).

31 Presidency of the Council of Ministers, “Within the official delegation headed by the Minister of Emigration: Customs representative answers questions from the Egyptian community in Riyadh about the law on importing a car from abroad” (Arabic), 27 November 2022. <https://www.cabinet.gov.eg/News/Details/41699>

country, and not from bank accounts inside Egypt.

In its first offering, which lasted for about six months from 15 November 2022 to 14 May 2023, the initiative failed to reach the \$2.5 billion target, achieving only about 18% of the target with \$450 million.³²

As a result, despite Finance Minister Mohamed Maait’s assurances that there was no intention to extend the period of the “Facilitating the Importation of Cars of Egyptians Abroad” law, the application process has been repeatedly reopened, most recently on 30 October 2023 for three months ending on 30 January 2024, and its end it was extended for another three months to end on 30 April 2024. This may reflect some confusion, poor planning, and a lack of integration with a policy that has been pursued for nearly a decade characterized by massive investments in environmentally friendly public transportation, which will be explained later in the paper.

The initiative to regularize the conscription status of Egyptians abroad

This initiative raises important questions about conscription, in which all Egyptian males from the age of 19 are subjected to a mandatory conscription period of one to three years unless they are temporarily or permanently exempted from service. For almost the first time in the country’s modern history, an initiative was approved allowing for permanent exemption from military service in exchange for the payment of \$5,000 or €5,000 by Egyptians who have valid residency abroad during the initiative’s two-month period from 14 August 2023 to 13 October 2023.

This decision may be a precursor to other decisions with the intensification of the economic crisis. As with the car importation initiative, the government has opened another application period with its recent announcement that another application period for the initiative would be opened as of 1 May 2024 for a period of two months.³³ In the absence of transparency and disclosure on the number of beneficiaries of this initiative, it is difficult to speculate accurately about its future, but its repercussions, effects, and message remain, as Minister of Emigration Gendi emphasized: “Although we received calls trying to benefit from this initiative from our children at home, the response was decisive that it is a prerequisite that this is restricted to those residing abroad.”³⁴

32 Eid, “A Jump in Two Months”.

33 Presidency of the Council of Ministers, “The Ministry of Emigration announces the opening of registration for the initiative to settle the conscription status of Egyptians abroad on May 1” (Arabic), 18 March 2024, available at <https://www.cabinet.gov.eg/News/Details/75441>

34 Bassam Ramadan, “Minister of Emigration: A prerequisite to benefit from the initiative to settle the conscription status of Egyptian youth abroad” (Arabic), al-Masry al-Youm, 17 September 2023, <https://www.almasryal-youm.com/news/details/2984513>

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Adding to the concerns of some Egyptians abroad, many of the government initiatives targeting them require a transfer of foreign currency from accounts outside of Egypt. The head of the Customs Authority stressed: “No import approval will be issued when the amount of cash due for the bank deposit is transferred from inside Egypt.”³⁵ Regarding the initiative to facilitate the import of cars for Egyptians abroad, why are those with accounts only inside Egypt ineligible? Could this imply that the money in Egyptian banks is used to service the public debt?

Restrictions on the exit of foreign currency from Egypt

While more offers and initiatives are launched by the Egyptian government to incentivize Egyptians abroad to transfer their savings into the country or buy real estate in dollars, the government’s policies and measures in 2022-2023 have also created more restrictions on the exit of foreign currency from the country:

- There are increased restrictions on currency exchange. Egyptians living abroad were denied the ability to convert some of their Egyptian pound savings in Egyptian banks into foreign currencies. Other Egyptians traveling out of the country abroad for tourism, visitation, or other purposes have been subjected to conditions that can amount to crippling restrictions. In some cases, the maximum limit on withdrawals in dollars in some of the largest Egyptian banks may be as low as \$100 every three months (down from no limit), with a cap on foreign currency spending on credit cards of \$250 from October 2023.³⁶ This makes it more difficult for Egyptian travelers to make flight, accommodation, and visa bookings, which are prerequisites for applying for travel dollars from their banks. The process of arranging foreign currency for travel becomes Sisyphean, and this in turn induces many to resort to the parallel, or black, market to secure the dollars needed for their travel, at prices much higher than the official price. This pressure on individuals who need foreign currency combined with the near blockage of official paths – not to mention their insufficiency for travelers’ needs – leads to further

devaluation of the pound against foreign currencies, and this vicious cycle continues.

- In October 2023, the CBE issued instructions to Egyptian banks to suspend and ban the use of all Egyptian pound debit cards abroad – of which there are 24.4 million according to the CBE – until the end of June 2023. The CBE later issued a similar decision to ban the use of Egyptian bank-issued credit cards within Egypt, of which there are 5.4 million in Egypt, for the withdrawal of foreign currency, but quickly reversed it a few days later after several complaints and large jumps in the price of the dollar against the Egyptian pound on the unofficial market. However, the maximum withdrawal limit of \$250 was kept.
- The Egyptian government also issued several decisions aimed at limiting the exit of foreign currencies from the country at the corporate level. This resulted in the accumulation of tons of goods and merchandise in Egyptian ports that were waiting for the completion of payments abroad, a process that witnessed the introduction of additional obstacles that are important to study but that are outside the scope of this paper.

From these examples, it is clear that while the Egyptian government is trying to incentivize Egyptians abroad to make more foreign currency transfers through Egyptian banks, it is closing the door for them and other Egyptians to convert savings from Egyptian pounds to any other foreign currency. It borrows from them in dollars, through five-year dollar deposits such as the car initiative, to be redeemed in Egyptian pounds according to an unknown future exchange rate. It is also worth noting that since 2022, some of Egypt’s largest private companies have been increasingly moving their ownership by transferring their companies outside Egypt through foreign-owned investment funds. For example, Domty Food Industries transferred 33% of its shares on the stock exchange to Expedition Alliance, a consortium incorporated under the laws of Mauritius that is also affiliated with the Damaty family, Domty’s majority owner.³⁷ The daughters of Mohamed Farid Khamis Kamel, the founder of Oriental Weavers, sold their stakes to a fund affiliated with them in Manchester.³⁸ These moves are seemingly in an effort to be able to move funds across borders more easily.

35 Ministry of Finance, “Minister of Finance: Huge turnout to take advantage of car import facilities for Egyptians abroad” (Arabic), 7 November 2023, available at <https://mof.gov.eg/ar/posts/media/6>

36 al-Sharq Bloomberg, “CBE directs banks to lower credit card limit to \$250” (Arabic), 17 October 2023, available at <https://www.asharqbusiness.com/article/55781/>

37 CNBC Arabic, “Egypt. Family businesses are moving shares abroad, why?”, 14 September 2023, available at <https://www.cnbcarabia.com/114030/2023/9/14/>, (CNBC Arabic, “Family businesses moving shares abroad”).

38 CNBC Arabic, “Family businesses moving shares abroad”.

Effects and the Contours of a New Social Contract

The patterns of the Egyptian regime's policies toward Egyptians abroad and the restrictions on the exit of foreign currencies from the country reveal many effects that are likely to deepen and go – over time – beyond the limits of the economic crisis, and even contribute to shaping the contours of a new social contract in Egypt.

In this section, we focus on three examples of these effects: perceptions on emigration, the effects of the car initiative within the broader picture of environmental and urban planning, and the pattern of state commercialization as one of the most prominent features of the social contract in the new republic.

Emigration without return

For many Egyptians abroad, emigration from Egypt has been a temporary, forced migration for work or study, but it looms in the imagination and ends up as a final stop for many. However, several developments, such as the post-revolutionary disillusionment and the social, political, and economic deterioration in Egypt have begun to change this equation.³⁹ This is evident on the part of some Egyptians abroad, who have recently begun liquidating their accounts, properties, and businesses inside Egypt, and on the part of the Egyptian government through its campaigns and initiatives.⁴⁰ The historical discourse, which has essentially equated patriotism with continuing to live on Egyptian soil and portrayed migration as a shameful act akin to treason, has changed: official state campaigns focused on raising awareness of the dangers of informal emigration on “death boats” and encouraging formal emigration. Even on a vital issue, such as the increasing emigration of Egyptian doctors, President Sisi commented on this crisis, saying: “Doctors who leave us to find a job in another country, who want to live, can I pay them a good salary?... I can't pay them a good salary.”⁴¹

Another example of this change in attitudes toward

39 Such factors have led to a marked increase in informal emigration from Egypt across the Mediterranean. See Pauline Brooker, “An evolving place amidst international migrations” (Arabic), in Atlas of Contemporary Egypt, SEDAG, pp. 26-27, available at <https://books.openedition.org/cedej/5230>

40 CNBC Arabic, “Egypt. Family-owned companies are moving their shares abroad, why?”

41 CBC Egypt, “Al-Sisi on the migration of doctors to work abroad: ‘I can't pay him a decent salary’” (Arabic), 28 February 2022, available at <https://www.youtube.com/watch?v=37Qe7DWKcJY>

emigration is one of the main programs presented on one of the satellite channels affiliated with the Egyptian security apparatus, entitled “Egypt Can”, in which the host travels to many countries and highlights the pioneering and successful experiences of Egyptians abroad.

In addition, the tendency of many businessmen, initiatives, and companies to transfer their ownership outside Egypt, as mentioned above, is an indicator of both the changing perceptions on emigration, as well as an attempt to secure more money and gain privileges offered by the state exclusively to Egyptians abroad and foreigners.

The effects of the car importation initiative

It is important to pause and ask: Doesn't the sudden facilitation of importing tens of thousands of cars conflict with the general trend of reducing congestion and pollution and relying more on environmentally friendly means of public transportation, such as the Green Line (the third line of the Greater Cairo Metro) and projects to convert public transportation buses in Cairo and Alexandria to environmentally friendly electric buses?

Huge expenditures of public money have been directed over the past decade toward the construction and expansion of roads, bridges, and other infrastructure, under the pretext of working to reduce congestion. Planned work includes expanding public transportation networks through increasing Greater Cairo metro lines, the project to convert the Alexandria inner-city train into an electric rapid metro, the monorail project in Greater Cairo, and many other public transportation projects. These projects reflect some confusion, poor planning, and lack of integration with a public policy that was pursued for nearly a decade characterized by huge investments in environmentally friendly public transportation. The initiative to facilitate the importation of cars is motivated by the need to raise foreign exchange as an attempt to bridge the deficit in foreign currency reserves and pay the accumulated debt service installments.⁴² These budget issues resulted from the expansion of public expenditures on previous projects, and could result in the potential addition of tens of thousands of cars, possibly exceeding 270,000 newly imported cars, especially given the extension of the initiative in its second phase for an additional three months from January 2024 to April 2024; according to the Ministry of Finance, the number of registered Egyptians abroad exceeded 452,283 on 29 January 2024.⁴³ It is not difficult to envision the

42 Mada Masr, “Cars for Egyptians abroad attracted only 28% of those targeted” (Arabic), 14 August 2023, available at <https://www.facebook.com/mada.masr/posts/685142950320891/>

43 Youm 7, “Remittances from the Egyptians Abroad Car Import Initiative reached \$667 million: Infographic” (Arabic), 31 January 2024, available at <https://www.youm7.com/story/2024/1/31>

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great pressures that these cars will add to the ongoing traffic and pollution crises; additionally, the expansions that have been made will quickly be absorbed by the extra traffic, so that congestion and pollution will return. This is also not to mention the accumulated debts that were taken on for the road expansion projects and the money that the state has committed to paying to Egyptians abroad once their deposits reach maturity.

The state as merchant: A new model for the social contract

For decades, the social contract model of the July 1952 officers' state after the overthrow of the monarchy and the establishment of the officers' republic in Egypt consisted of monopolizing politics for the officers, in exchange for the state providing social welfare, adopting principles such as free education and health insurance for all, and assuming responsibility for employing tens of thousands of university graduates every year.

With the erosion of this model, the continued withdrawal by the state from many of these roles, and the exacerbation of the effects of impoverishment policies, the number of people living in poverty exceeded more than a third of the country's population according to official statistics from the Central Agency for Public Mobilization and Statistics, with poverty rates rising to 32.5% of the population by the end of the fiscal year 2017/2018, compared to 27.8% in 2015/2016.⁴⁴ In total, the government's offers pose a threat to the monopoly of politics for officers.

In sum, the Egyptian government's offers to attract the savings of Egyptians abroad, along with many of its policies and practices at home, reflect the emergence of patterns of commodification and commercialization of public lands and spaces, whether through the sale of public assets or usufruct rights for many years. In response to what he described as, "countries that say you don't give people rights", Sisi clearly stated: "What rights? I can't eat, I can't learn, I can't be educated, I can't be treated, I can't be housed, I can't be employed"; while participating in the launch of the National Project for the Egyptian Family in February 2022.⁴⁵

After confronting and silencing campaigns to reject conscription after the 2011 revolution, attempting to solidify

the link between conscription, patriotism, and citizenship, and labeling rejecting conscription as treason, the initiative to regularize the conscription status of Egyptians abroad raises questions such as whether citizen equality can be consistent with exempting some from military service for a few thousand dollars, while millions of Egyptians at home have no such option. Furthermore, few can afford to pay such an amount unless they are financially well-off, i.e., most likely from the upper-middle class and higher. Such a decision perpetuates class discrimination, and discriminates between Egyptians at home and abroad, especially since the latter are usually in a relatively better financial position in a matter that official discourse has always linked to patriotism – stigmatizing those who avoid it as shirkers who lack patriotism – even if this national service is in actuality something as mundane as working as a highway ticket collector highway or at a military-affiliated gas station.

While the initiative to regularize the conscription situation may bring the regime a targeted dollar windfall, it may have deep and long-term repercussions on one of the most important foundations of Egypt's eroding social contract: conscription as the cornerstone of the Egyptian army. Is one of the pillars of the concept of citizenship in Egypt now being traded for foreign currency? Is this what the state wants?

All of this raises questions about the implications of such a change. Since the outbreak of the January 2011 revolution, Egypt has witnessed a growing interest in integrating Egyptians abroad into the process of political change, recognizing their rights to political participation – such as universal suffrage and voting for the first time in the country's modern history – and creating a new ministry dedicated to emigration and expatriate affairs. However, all this politically formalized attention still fails to address some legitimate questions, such as the extent of transparent and participatory approval of public budgets and oversight of public funds. "No taxation without representation", as the American Revolution slogan goes. Thus, do Egyptians abroad participate in self-determination, or does the government require them to participate in paying the interest on the debt it places on Egyptians' necks?

So far, the right to transparency and oversight of public funds in Egypt seems to be a right fraught with many challenges and restrictions, both for Egyptians at home and abroad. However, with the increasing pressure from the effects of the economic crisis, especially the unprecedented levels of debt, the official rhetoric of the Egyptian government and the introduction of initiatives and offers to Egyptians abroad clearly demonstrate the significant power of remittances as one of Egypt's main sources of foreign currency inflows.

In the near future, these indicators could contribute to some initiatives from Egyptians abroad to make more demands for transparency, disclosure, and greater public participation in determining where public money is spent. Recent decades

44 BBC News Arabic, "Egypt's poverty rate rises to 32.5% of the population" (Arabic), 30 July 2019, available at <https://www.bbc.com/arabic/business-49167506>

45 eXtra News, "President Sisi: I can't eat and I don't know how to teach. Go to al-Marj, al-Matariya, and al-Khasas and see" (Arabic), 28 February 2022, available at <https://www.youtube.com/watch?v=0UPqiE6sHT0>

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have witnessed increasing patterns of state abandonment of its traditional roles in caring for millions of Egyptians in a relationship of political clientelism, from providing affordable housing and employment in the sprawling government apparatus to subsidized food and fuel. Over the past decade, the Egyptian regime has witnessed a significant decline in the fulfillment of this obligation, relative to previous levels. This clientelist and patronizing relationship has now shifted to Egyptians abroad, and reliance on them has increased.

Conclusion

The number of Egyptians abroad doubled in the decade from 2013 to 2023, and the importance of their remittances to Egypt increased. Many official or regime-affiliated Egyptian newspapers and media websites highlight the decline in the total value of remittances from Egyptians abroad by 30.8% in the fiscal year 2022-2023 to about \$22.1 billion, compared to \$31.9 billion in the previous year.⁴⁶ However, extrapolating on the scene as a whole, not just these figures, may give us a clearer picture and emphasize the inadequacy of policies that are based solely on numbers and ignore the integration and understanding of stakeholders, primarily the Egyptian diaspora.

It is clear from the research points addressed in the paper that the unprecedented surge in remittances in 2021-2022 was related to the motives of many Egyptians abroad transferring assets from their savings, and the temporary or permanent return of some of them to Egypt as one of the repercussions of the global pandemic. Therefore, any measurement based on this surge will not be helpful for properly understanding the situation.

In the case of Egyptians abroad, the various government initiatives and offers that were launched in 2022 and 2023 are being extended, and even relaunched in 2024. Despite some of their benefits, they also raised concerns among Egyptians abroad about the sustainability of the official exchange rate of the Egyptian pound against foreign currencies, their right to transfer to and from the Egyptian pound, and their right to remit to and from the Egyptian pound. It is becoming clearer by the day that remittance is a one-way street from foreign currencies to the Egyptian pound. Remittance to foreign currencies encounters significant obstacles and is available in very limited quantities, in some cases up as low as converting no more than \$100 a month from an Egyptian bank to an Egyptian traveler abroad.

With the value of the Egyptian pound plummeting by more

than 400% between 2016 and 2024, and public debt increasing to unprecedented levels, government initiatives and offers aimed at attracting remittances from Egyptians abroad must be more integrated with the state's overall policy directions.⁴⁷ However, these various initiatives do not show any coherence and complementarity with the state's policies, but rather go against the government's direction, as in the case of the law facilitating the importation of cars.

Overall, the main message that can be read in the government's initiatives and offers targeting the savings of Egyptians abroad is that they are a major economic force, exceeding the total foreign financial flows from tourism, the Suez Canal, and foreign investments in the country such as the Ras al-Hikma deal. The question remains: Do economically attractive policies without a space for political mobilization, more transparency, and popular participation in controlling public funds and directing spending items? We hope the plight of the worsening economic crisis can open the way for the formation of a new social contract in Egypt, based on popular participation and control, and effective and radical democratization.

46 Sahar El-Meligy, "Minister of Emigration: Remittances from Egyptians abroad fall to \$9.8 billion in 2023" (Arabic), al-Masry al-Youm, 24 October 2023, available at <https://www.almasryalyoum.com/news/details/3014011>

47 al-Mal, "The pound loses 216% in two years".

About the Arab Reform Initiative

The Arab Reform Initiative is an independent Arab think tank working with expert partners in the Middle East and North Africa and beyond to articulate a home-grown agenda for democratic change and social justice. It conducts research and policy analysis and provides a platform for inspirational voices based on the principles of diversity, impartiality, and gender equality.



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