

## THE FUTURE OF BIG BUSINESS IN THE NEW EGYPT

AMR ADLY

Egypt's big business community provided strong, early support for the military-backed government that came to power in June 2014. But despite that endorsement, the regime of President Abdel Fattah el-Sisi has made changes that are putting pressure on the private sector. Still, there are signs that some of those shifts are only temporary and that they have been taken out of necessity as the new political leadership attempts to repair a struggling economy. While elements of state-business relations may be reconfigured, big business remains essential to Egypt's long-term recovery.

### Pressure on Big Business

- Egyptian big business enjoyed decades of tax breaks, subsidies, and other incentives, and accounted for a large share of the country's output, employment, investment, and exports.
- Egypt's military has expanded its economic role since July 2013. Fueled by state stimulus spending and capital from the Gulf, the military is entering new sectors and taking on bigger projects, moving into areas previously controlled by large corporations.
- The old networks of big conglomerates that were part of Hosni Mubarak's crony capitalist system may be reconfigured under Sisi. Some of the privileged elites who played a key role in the Mubarak era are imprisoned or exiled, and new players may emerge who use their connections to win favorable treatment from the state.
- Big business owners are faced with new taxes and reductions in subsidies as the country tries to address its fiscal crisis. At the same time, they have been called on to donate to patriotic recovery funds.

### A Long-Term Role for Business

**Big business controls industries that are key to any recovery.** The military may replace big businesses in the immediate term, but longer-term stabilization depends on the resumption of activities by large private enterprises. Big business still controls important sectors of the economy—including manufacturing, tourism, telecommunications, commerce, and housing—that are essential to any revival in investment or employment.

**Foreign capital will return to the private sector.** Private foreign investors will ultimately prefer working not through the military but through big business, as they have in the past.

**Interactions between business and the state may be changed.** The military's entry into new sectors could lead to a redrawing of the lines of interaction between the military and big business, especially in areas such as construction and access to land. Faced with higher tax bills and reduced subsidies, business may also be forced to depend less on government.

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