

# How Anwar Sadat's Open Door policy integrated Egypt with developed market economies

Tue, 2021-10-05 22:23

LONDON: In the winter of 1973, Anwar Sadat was enjoying his time in the sun. He was "batal Al-ubur" – the "Hero of the Crossing." The 1973 war against Israel was a huge propaganda success, never mind that the reality was very different from how the Egyptian media portrayed it.

After years of planning, the Egyptian army had successfully crossed the Suez Canal, catching the Israeli army unawares. National pride had been restored and the Egyptian public had bestowed a new title on Sadat.

But at home, Sadat's problem was the state of the economy. The expectations of the Egyptian public were high following the military victory; confrontation with Israel could no longer be used as an excuse for every privation they suffered.

Defeat in the 1967 war six years previously had near-bankrupted Egypt and seriously harmed industry. Both inflation and foreign debt were high.

Over the course of his 14 years in power, Sadat's predecessor Gamal Abdul Nasser had courted and won the support of the Soviet Union.

Together, Nasser and the Russians had built the second Aswan dam, a project designed to launch Egypt on the twin tracks of industrial and agricultural development.

The ambitions had not been fully realized. The early years of the dam project were hit with teething problems. Land downstream from the dam was affected by increased salinity and waterlogging.



Defeat in the 1967 war six years previously had near-bankrupted Egypt and seriously harmed industry. Both inflation and foreign debt were high.  
(AFP/File Photo)

As Sadat took power following Nasser's death in 1970, the economy was still run according to the dictates of central planners.

Prices for essential commodities were controlled and investment in projects was centrally dictated leading to widespread shortages and wastage.

Egypt's youthful population stood at 34.5 million, with rates of growth in the order of 2.5 percent.

The economy was hampered by low levels of productivity, an absence of relevant education and a consequent lack of skilled workers. Farmers were told what to plant. In today's terminology, price indicators were not effective.

Other problems persisted. One of Nasser's legacies was the creation of a huge public sector and an overregulated state economy, emulating the Soviet Union.

He had opened up higher education to all and guaranteed a job to every graduate with little heed paid to quality or relevance of training.

College graduates flocked into ministries, municipalities and into state-controlled companies where security of tenure was guaranteed. The result was low levels of productivity coupled with a tendency to obstruct innovation and entrepreneurship.

Nasser had also orchestrated the emigration of large communities of Italian and Greek craftsmen, artisans and small-scale businessmen, the so-called mutamasriyun.

While reforms in the 1950s had broken the power of the big landlords, these more minor actors had been alienated by the state seizing their property.

Between 1962 and 1964, for example, all foreign-owned land had been expropriated. The Jewish community had also all but fled the country in the 1950s.

## **INNUMBERS**

**\* \$3bn – Excess of Egyptian food imports over exports in 1981.**

**\* 90% – Foreign capital's share of financing of public projects.**

The result of the exodus was a collapse in municipal and other services and an absence of skilled workers in the public sector and in utilities like electricity supply.

Sadat had never been afraid of a challenge and was fond of the dramatic gesture. He had worked as a spy for the Germans in the Second World War against the British and then served as Nasser's deputy. He moved decisively to break with his predecessor by reopening Egypt up to foreign investment.

This was the infitah – or opening – also known as the Open Door Economic Policy. It was a collection of liberalization measures linked to a degree of political easing.

The policy involved a rejection of the close ties with the Soviet Union, building closer relations with the US and Arab Gulf states, and the distancing of the military from the economy.

Following Nasser's death, Sadat had prefigured the reforms with a Plan for National Action in 1971 and, in 1972, had expelled thousands of Soviet military advisers.

In 1974, he promulgated a new investment regulation titled Law 43. Tariffs were lowered and foreign banks were encouraged to return to the country. Sadat reversed some of the confiscations of private property.

The new law's main aim was to attract Arab and foreign investment capital. To that end, it created a new organization, the General Authority for Investment and Free Zones, under the auspices of the Ministry of Economy.

According to "The Experience of Foreign Investment Under Infitah," by Hadi Salehi Esfahani, the law provided incentives and included a promise to refrain from nationalization and the confiscation of invested capital except by judicial procedures. It exempted investors from a number of labor

regulations; it gave a five- to eight-year exemption from taxes on profits; allowed for a deferment on the payments of customs duties, and gave permission to import without a license.



In the winter of 1973, Anwar Sadat was enjoying his time in the sun. He was “batal Al-ubur” – the “Hero of the Crossing.” (Supplied)

The results were patchy but the trajectory for the Egyptian economy was upward. According to “Egypt’s Development In the 1970s,” by Henry Bruton, private investment under Law 43 was slow at the start, and did not reach 100 million Egyptian pounds (\$6.6 million) until 1979. Investment was heavily concentrated in sectors such as banks, consulting offices, fast-food shops and construction.

However, GDP growth rates rose to 8 to 10 percent per annum through the 1970s and the balance of payments moved favorably. Yields of cotton and rice increased significantly.

Toward the end of the decade, Egypt was massively helped by a relatively sudden infusion of foreign exchange as large deposits of oil and gas came on stream and were monetized.

The economy was also supported by increased aid money from the US, Suez Canal revenues and the beginning of Egypt’s tourism industry. The canal had been closed in 1967 but Sadat reopened it in 1975. Revenues from ships passing through the canal began to flow to the Egyptian state.

The Gulf states also opened to Egyptian labor as their oil and gas reserves flowed. This proved to be something of a double-edged sword for Sadat.

Many skilled and educated Egyptians chose to migrate, to take advantage of the higher wages on offer in the Gulf states and elsewhere. On the brighter side, the workers began to send back remittances – as they do to this day.

Remittances grew from nothing in 1971 to over \$2.2 billion in 1979, according to official numbers, but were probably higher if informal transfers are included.



When Sadat took power following Nasser's death, the economy was still run according to the dictates of central planners – prices and investments were strictly controlled. (Supplied)

The combination of workers' remittances, oil and gas revenues, earnings from the Suez Canal, and tourism receipts propelled foreign exchange reserves to \$2.5 billion in 1980 from less than \$0.5 billion in 1972.

But the budget deficit swelled, inflation spiked, imports rose dramatically and income disparities grew. Defense spending remained a heavy burden.

In 1977, the Central Bank started printing 20-pound notes. In 1979, the pound was devalued and subsequently lost almost half its value, for the first time

falling below parity with the pound sterling.

Moreover, the World Bank and International Monetary Fund were prescribing an end to subsidies on basic foodstuffs which was a major cause of the persistent budget deficits.

In 1977, Sadat announced price hikes for flour, rice and cooking oil at the behest of the World Bank. This provoked massive riots by poor Egyptians.

Most major Egyptian towns and cities were hit by violence. More than 70 people died. The fear of provoking similar levels of rioting has gripped the Egyptian ruling classes ever since.



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Widow of former Egyptian President Anwar Sadat dies in Egypt

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## [Biden aide tells Israeli official diplomacy best way to keep Iran from getting nuclear bomb](#)

Tue, 2021-10-05 22:26

WASHINGTON D.C.: White House national security adviser Jake Sullivan told his Israeli counterpart Eyal Hulata on Tuesday that President Joe Biden's administration believes diplomacy is the best way to make sure Iran never gets a nuclear weapon, the White House said.

Sullivan also noted at the White House meeting that Biden "has made clear that if diplomacy fails, the United States is prepared to turn to other options," the White House said.

Hulata is on a visit to Washington, which US officials said will allow the two allies to share intelligence and develop a "baseline assessment" of how far Tehran's nuclear program has advanced.

Asked what actions were under consideration and whether that included military options, a US official said "we'll be prepared to take measures that are necessary" but did not elaborate.

The official said that Iran was "sending indications to a number of parties that they are preparing to come back to Vienna," where the US and Iran held indirect talks earlier this year that stalled.



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## [Libya legislative vote rescheduled for January: parliament](#)

Tue, 2021-10-05 21:25

Libya's legislative elections have been postponed until January, the country's eastern-based parliament said on Tuesday, instead of being held on December 24 as planned.

"The election for members of the House of Representatives will take place 30 days after the presidential vote," still scheduled for December 24, parliamentary spokesman Abdullah Bliheg told a press conference.



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## [Stitches represent scars in Beirut blast survivor's art show](#)

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Tue, 2021-10-05 19:34

BRUSSELS: Palestinian artist Majd Abdel Hamid, a survivor of the 2020 Beirut blast, has opened his first solo show in Brussels this month, with displays of embroidery and video installations to convey the passage of time. Born in Syria and now based in Beirut, 33-year-old visual artist Majd Abdel

Hamid embroiders fabrics he collects and items he finds, from cushions to kitchen towels.

At times colorful and at other times just white on white, they are designed as an abstract depiction of time and the places he has been, touching on wars, political and economic crises and the COVID-19 pandemic.

"It's been like an acceleration of traumas. It's not even one trauma that you have. It's been quite challenging to process what has happened and how can you deal with it," Abdel Hamid told Reuters TV.

Abdel Hamid was injured in the explosion of ammonium nitrate stored at Beirut port in August 2020, with wooden fragments still stuck beneath a scar on his head. The embroidery stitches in his "A Stitch in Times" represent mental and physical scars.

The show at an exhibition space of the Fondation d'entreprise Hermes, at the back of the Hermes store in Brussels will be the first showing of all his work.

Abdel Hamid describes embroidery as a "timeless medium," a slow process of doing and undoing. One display piece, "Salt of the Earth," show threads suspended and crystallized by salt. Another shows him unthreading white bed sheets in his home.

"Embroidery is always used to celebrate the pride of a country, the pride of the family, it's about motifs. When you embroider raw reality, dramatic situations or violence, it creates tension," he said.



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## [Egypt, Britain discuss travel conditions after removal from 'red list'](#)

Tue, 2021-10-05 18:17

CAIRO: Egyptian Minister of Health and Population Hala Zayed has spoken with Gareth Bailey, the British Ambassador to Cairo, about enhancing travel cooperation between the two countries after Egypt was removed from the UK's "red list," a group of nations with stricter travel measures to prevent the spread of COVID-19.

The meeting discussed different ways to meet the requirements for travellers going from Egypt to Britain, as those who have been vaccinated in Egypt are still required to self isolate on arrival.

They discussed the ongoing procedures of the British Department of Health and Social Care to expedite the approval of vaccination certificates from Egypt.

Zayed stressed the necessary health measures taken to facilitate the movement between Egypt and the UK, especially for the purposes of treatment and education, as well as tourism for citizens from both countries.

The minister also discussed cooperation between Egypt and Britain in professional medical education, through the Ministry of Health and Population and the British Royal College, to develop training programs in various medical specialties and adopt them in the Egyptian fellowship program.

Zayed thanked the ambassador and the British government for providing Cairo with 299,680 doses of the AstraZeneca vaccine in mid-August, and stressed the importance of the relations between the countries in fighting the pandemic.

Bailey affirmed Britain's keenness to continue permanent and fruitful cooperation with Egypt at various levels and areas of common interest, praising Egypt's strategy in confronting the COVID-19 pandemic.

He indicated London's keenness to continue cooperation with Egypt in the health sector and to provide all necessary support.

