



EUROPEAN
COUNCIL
ON FOREIGN
RELATIONS
ecfr.eu

POLICY
MEMO

EGYPT, THE IMF AND EUROPEAN ECONOMIC ASSISTANCE

Farah Halime

SUMMARY

Egypt is in the grip of dual crises that are fuelling dangerous discontent. First, it faces contentious parliamentary elections amid a mounting challenge to the legitimacy of post-Mubarak institutions. Second, in order to secure a \$4.8 billion loan from the International Monetary Fund, it must implement austerity measures and broad structural reforms. The IMF loan would provide temporary fiscal relief and unlock billions in additional aid, which European, US, and other donors have made conditional on Cairo adopting the Fund's terms. However, the political risks attached to enforcing the austerity programme leave an increasingly fragile Egyptian government reluctant to sign on.

This memo argues that it is shortsighted for the European Union and key member states to withhold all of the \$6.5 billion in economic support they have earmarked for Egypt until the IMF accord is signed. Europe should not wait for Cairo to agree on the long-term structural reform demanded by the IMF before helping Egypt address the growing crisis of unemployment, which threatens to fuel renewed social turbulence. Instead, even before terms are agreed between Cairo and the IMF over long-term macro-economic policy, European donors should immediately commit funds to grassroots training and vocational skills programmes to help tackle unemployment.

Egypt is in the grip of profound economic and political crises, each of which reinforces the other and imperils the prospects for long-term social stability, growth, and development. The International Monetary Fund (IMF) has made a \$4.8 billion loan conditional on reforms that it believes are essential in order to create sustainable growth in Egypt. But the government in Cairo is reluctant to implement these reforms, which would have a negative short-term impact on the living standards of many millions of Egyptians. The toxic political atmosphere is endangering prospects of achieving the political consensus over economic reform that the IMF believes is essential to the programme's success. The inflationary impact of the growing balance-of-payments deficit threatens a new season of social outrage on the streets.

The IMF loan is central to Egypt's immediate economic prospects, not only because of the likely impact of the loan itself but also because a number of other donors and investors have made their own commitments conditional on Cairo's adoption of the IMF's terms. Egypt's adoption of the IMF reform package is thus the trigger for releasing an estimated \$12 billion in contingent loans. An IMF loan agreement would also be viewed in international capital markets as a signal that Egypt is finally on track to narrow its budget deficit and implement key reforms, easing the uncertainty that has restrained foreign investors from returning to Egypt. But the long-term structural reform envisaged under the loan agreement is not a panacea for the problems facing the country and will not solve the immediate

crisis of stubbornly high youth unemployment.

In mid-March, the IMF recognised the danger of delaying assistance until the reform programme had been agreed and offered Egypt a temporary loan facility of \$750 million to help it cope with a currency and budget crisis. IMF officials have argued that, while Egypt urgently needs ambitious reforms to tackle its economic problems, it should nonetheless be assisted with a bridging loan while the terms of the full programme are being negotiated.¹ But this emergency loan is likely to have had similar restructuring conditions as the original larger loan. Thus the Egyptian government – which has already been offered \$13 billion in immediate loans and grants from Qatar, Turkey, Saudi Arabia, and Libya have already offered \$13 billion in immediate loans and grants, dwarfing the stopgap package from the IMF – has thus far rejected it. Rather than “quick fixes”, Planning Minister Ashraf al-Araby said that Egypt needed “broad structural measures” to tackle its budget deficit.²

A deepening economic crisis

The deep structural weaknesses in the Egyptian economy that had set the tinder for the 2011 uprising that led to the ouster of President Hosni Mubarak have been exacerbated amid the ensuing political turmoil since then. Most alarming is Egypt’s burgeoning youth unemployment. According to official figures, 13 percent of Egyptians are unemployed, of whom 74 percent are aged between 15 and 29, and some believe the real number of those who are unemployed is much higher.³ Eight out of ten university graduates are unable to find work.⁴

Meanwhile, revenues from tourism – a key source of Egypt’s foreign exchange income for decades – are down by more than a fifth since the start of the revolution, while foreign direct investment has fallen by 56 percent amid the uncertainty of the post-Mubarak period.⁵ The central bank recently warned that Egypt’s foreign reserves had fallen to “critical levels” despite a cash infusion from Qatar and currency-control measures – a situation with potentially volatile social consequences in a country that imports much of its food, including about 60 per cent of its staple grain, wheat.⁶ \$15 billion typically covers three months’ imports. But foreign currency reserves now stand at little more than a third of the \$36 billion that Egypt held immediately before the 2011 uprising. Although the government has depleted its own reserves and used some of the assistance from Qatar

¹ Marwa Awad and Yasmine Saleh, “Egypt studies IMF bridging loan as crisis deepens”, Reuters, 11 March 2013, available at <http://www.reuters.com/article/2013/03/11/egypt-economy-idUSL6NoC3B8Z20130311>.

² Asma al-Sharif, “Egypt does not need IMF bridging funding - minister”, Reuters, 10 March 2013, available at <http://www.reuters.com/article/2013/03/10/egypt-imf-idUSL6NoC243J20130310>.

³ Central Agency for Public Mobilization and Statistics, “Labor Force, Employment & Unemployment in Egypt”, 16 February 2013, available at http://www.capmas.gov.eg/pepo/LabourForce/sdds_lb2_e2.pdf.

⁴ Nada Badawi, “CAPMAS: Unemployment reaches 3.4 million”, *Daily News Egypt*, 4 March 2013, available at <http://www.dailynewsegypt.com/2013/03/04/capmas-unemployment-reaches-3-5-million/>.

⁵ Monthly Statistical Bulletin, Central Bank of Egypt, February 2013, available at <http://www.cbe.org.eg/English/Economic+Research/Publications/Monthly+Statistical+Bulletin/Feb+2013+Statistical+Bulletin.htm>.

⁶ Aya Batrawy, “Egypt’s central bank: reserves at ‘critical’ level”, Associated Press, 29 December 2012, available at <http://news.yahoo.com/egypts-central-bank-reserves-critical-level-164608124.html>.

to defend the currency, the value of the Egyptian pound is likely to continue to fall. Because of this, as well as rising global food prices, Egypt’s inflation rate – currently 8.2 percent – is likely to rise.

Without an IMF agreement, pressure on the Egyptian pound is likely to grow. Analysts at Capital Economics say “there is a real risk of a more disorderly devaluation, whereby the pound could plunge by up to 50 percent in a matter of weeks”.⁷ This could spur inflation and a banking crisis, as well as a precipitous fall in asset prices, while dramatically impairing Egypt’s ability to import wheat and fuel for citizens. Such a sharp increase in the economic pain suffered by the poorest Egyptians would risk new turmoil on the streets and could even create a revolutionary situation reminiscent of the riots sparked by rising bread prices in the Mubarak era during the 1980s and 1990s and against the government of President Anwar el-Sadat in 1977.

Until now, the government has staved off more dramatic economic deterioration through loans from the Muslim Brotherhood’s political allies elsewhere in the region. In January, Qatar loaned Egypt \$2 billion and opened an additional \$500 million line of credit, having deposited \$2 billion in the country’s coffers last August.⁸ Gas-rich Qatar then threw Egypt another \$3 billion lifeline in April, also promising to extend gas supplies to the country this summer as needed.⁹ The total \$8 billion in loans, grants, and deposits from Qatar suggest that the Egyptian government may be giving in more to the opposition’s demands as continued financial support from Doha could further delay an IMF agreement, which comes with a plan that secular and liberal groups say they have not seen.

Meanwhile, Turkey has agreed to lend Egypt \$2 billion, while Libya has committed to provide Egypt with the equivalent of one million barrels of crude oil per month and is also considering offering Egypt financial aid.¹⁰ To ease fuel shortages, the Egyptian government has said that it plans to import four million barrels of oil from Iraq every month, which could be at preferential rates.¹¹ While such emergency measures may not solve Egypt’s long-term economic problems, the political risks attached to embracing the IMF’s terms may tempt the government to extend its reliance on supportive governments with deeper pockets.

When Egypt first requested an amount of \$3.2 billion from the IMF in May 2011 politicians and international donors viewed it as an emergency cash injection to buffer an economy damaged by the uprising. Egypt’s political

⁷ William Jackson, “How far and how quickly will the Egyptian pound fall?”, Capital Economics, Middle East Economics Update, 8 January 2013, available at <https://www.capitaleconomics.com/middle-east-north-africa-economics/middle-east-economic-updates/how-far-and-how-quickly-will-the-egyptian-pound-fall.html>.

⁸ “Qatar says boosting aid to Egypt by extra \$2.5bn”, Reuters, 8 January 2013, available at <http://www.reuters.com/article/2013/01/08/egypt-qatar-idUSL5E9C878S20130108>.

⁹ Regan Doherty and Maggie Fick, “Qatar throws Egypt \$3 billion lifeline amid IMF loan talks”, Reuters, 10 April 2012, available at <http://uk.reuters.com/article/2013/04/10/uk-egypt-qatar-talks-idUKBRE9390B920130410>.

¹⁰ Asma al-Sharif and Regan Doherty, “Egypt to import Libya oil, pay down energy debt”, Reuters, 27 March 2013, available at <http://www.reuters.com/article/2013/03/27/egypt-oil-payments-idUSL5NoCJ14G20130327>.

¹¹ Jessica Donati and Julia Payne, “Egypt cuts back on oil imports”, Reuters, 5 March 2013, available at <http://www.reuters.com/article/2013/03/05/egypt-gasoil-idUSL6NoBXEZV20130305>.

turmoil has already delayed the adoption of the IMF loan terms by almost two years, and it had been widely assumed that an agreement would be postponed at least until after the legislative elections had been concluded in the summer. However, a successful court challenge has forced President Morsi to delay the election, which is now expected to be held in October. According to the new timetable, a parliament should be formed by the end of the year, but recent history suggests that it could be delayed further. Meanwhile, the loan has grown not only in size but also come to epitomise the challenges of reforming a creaking, public-sector leaning economy amid growing political polarisation.

Points of contention

Mindful of the social context in Egypt, the IMF has sought to taper its reform demands to ease their impact on the poor, for example by demanding changes to the rules governing subsidies to ensure that they benefit only the neediest Egyptians. Still, the IMF reform package will impose a heavy burden, and the loan agreement's political risk is exacerbated by the fact that the IMF has become associated, in the eyes of many Egyptians, with the cronyism and kleptocracy of the Mubarak era. (A small business elite connected to President Mubarak's son, Gamal, had been the prime beneficiaries of the massive privatisation of state-owned enterprises undertaken at the IMF's behest in the 1990s.)

The Muslim Brotherhood believes that the loan agreement represents the country's best chance for economic recovery. But the negative perceptions of the IMF in Egypt – and the fact that the majority of working Egyptians saw little benefit, and in many cases grew poorer, after previous rounds of privatisation, deregulation, and trade liberalisation – have created fertile ground for those opposition groups denouncing the current package as “bondage and slavery” claiming it will force Egypt “to sell the pyramids”. At the same time, the military is also opposed to IMF-mandated privatisation because it threatens its massive role in the civilian economy. Some of the points of contention over the IMF plan are specific to Egypt's post-Mubarak political environment, while others are based on the long-term structure of the country's economy.

Islamist objections

The anti-usury prescriptions of Islamic sharia law could be invoked as a potential rallying point for Islamist opposition to the loan. The largest bloc of Egyptian voters backed Islamist parties in the last legislative election, giving added significance to the sensitivities of this constituency. Although the Morsi government shares many of the free-market economic assumptions of the IMF, the need to fend off the challenge of the more conservative Salafis competing for the same voter base has prompted it to insist that the 1.1 percent interest rate on the loan is sharia-compliant. Muslim Brotherhood economists have characterised the interest that would be paid on the loan as “administrative

fees”.¹² But others question or contest that claim and MPs from the Salafist Nour Party requested that the agreement be referred for a religious ruling to al-Azhar, the 1,000-year-old Islamic university and mosque mandated by the Egyptian constitution to vet legislation for sharia compliance.¹³

Opposition to public sector cuts

Although the government concurs with the IMF that scaling back public spending will have to include cuts to the state payroll, widespread dependence on public sector employment creates countervailing political pressures. While job growth in the private sector is slow, Egypt's public sector has six million employees whose salaries consume one quarter of the state's budget. But as IMF adviser Magda Kandil noted in an August 2012 brief, attempts to cut the size of the public sector have “torn at the fabric of the middle class. Young college-educated Egyptians can no longer be sure of getting civil service jobs in an era of privatisation and greater budget discipline.”¹⁴ If anything, the government is now under pressure to spend more, not less.

Unwillingness to cut energy subsidies

Egypt has a system of subsidies for commodities such as petroleum and flour that is hugely expensive and works very poorly. In particular, it spends about 20 percent of its national budget on keeping down fuel prices for the general public even though it pays out more to support wealthier households whose fuel consumption is higher than in needier ones. The public debt is further swelled by the fact that, because of Egypt's declining domestic output and the sporadic disruption caused by strikes, a growing portion of the subsidised petrol and natural gas is imported. However, the Morsi government is unlikely to tempt fate by altering the fuel subsidy status quo amid the uncertainty over the election. In February, Egypt's oil minister Osama Kamel announced a delay of up to three months in implementing a new system of rationing subsidised fuel – a move initially set for April as part of IMF-mandated austerity measures.¹⁵

Inability to collect taxes

The Egyptian state's inability to expand tax revenues was highlighted on the eve of the constitutional referendum in December when the Morsi government announced a package of sharp tax hikes on items ranging from cigarettes and mobile phone calls to electricity bills and real estate but was forced to back down within hours in the face of a concerted public outcry. The ruling party has signalled that it favours progressive taxation and raising the tax burden on corporations and wealthier Egyptians, but the risk of capital flight and scaring away already jittery investors makes any

¹² Author interview with Ashraf Serry, an economist and Steering Committee Member at the Muslim Brotherhood's Renaissance Project team, 16 January 2013.

¹³ Salafi MPs consider EU loan as usury”, MSN Arabia, 11 February 2013, available at <http://arabia.msn.com/news/middle-east/1295526/salafi-mps-consider-loan-usury/>.

¹⁴ Magda Kandil, “The Egyptian Economy in Retrospect and Future Prospects”, Egyptian Center for Economic Studies, Number 32, August 2012, available at http://www.eces.org.eg/publications/View_Pub.asp?p_id=9&p_detail_id=324&logout=1.

¹⁵ Asma al-Sharif, “Egypt to Delay Fuel Subsidy Rationing”, Reuters, 12 February 2013, available at http://www.zawya.com/story/Egypt_to_delay_fuel_subsidy_rationing-TR20130212nL5NoBCL82/.

short-term movement in this direction unlikely. Even if tax rates were raised, questions remain over the government's capacity to collect the resulting revenues. Analysts estimate that Egypt will require extensive technical assistance to improve tax collection and implement other reforms mandated by the IMF. But President Morsi has so far been reluctant to make use of technical expertise from outside of Muslim Brotherhood circles.

The lack of a clear economic vision

Putting the Egyptian economy on course for sustainable development requires political buy-in broad enough to inoculate the reform programme from the country's ongoing political turmoil. This is a difficult ask in a polity as divided as Egypt's, but it might be more achievable with greater transparency and public discussion of the government's plans. Morsi's administration has had a poor track record in this respect, while the opposition has also shown little inclination to engage. The public was poorly informed on proposed tax and subsidy reforms, while the government has failed to communicate a broader economic vision and the concomitant investment strategy to boost employment and GDP.

As a result of these points of contention, further negotiations will be required to bridge the gap between the IMF's reform expectations and the changes the Egyptians are willing to make. Although parliament is not required to approve the agreement, the IMF has repeatedly urged Egyptians to secure broad public acceptance of its terms – an unlikely prospect in the current political environment. Senior European diplomats are working with the IMF and have brought opposition members of parliament into the negotiations in order to hash out an economic plan that is supported by a broad consensus of public opinion. In January, IMF Managing Director Christine Lagarde said that the IMF needed a “commitment of the political authorities that can actually endorse the programme, own it, and propose it to the population as theirs”.¹⁶

However, “owning” the programme is particularly politically dangerous in a pre-election moment. In fact, elements of the opposition, from Salafist Islamists to left and centre-left secular parties, are already campaigning directly against the loan (while pro-Western opposition figures such as former Foreign Minister Amr Moussa and former International Atomic Energy Agency Director-General Mohammed el-Baradei, who now heads the new Constitution Party, have called for a national consensus in support of it). For example, the Nasserite socialist Hamdeen Sabahi, who speaks for a segment of the Egyptian public that is deeply suspicious of free markets, has insisted that the loan would be unnecessary if the country weaned itself from Western economic orthodoxy and imposed steep annual taxes on the rich, including a one-time 20 percent tax on the wealth of anyone owning more than about \$17 million. He also

advocates expanding Egypt's public sector to create more jobs for the poor.¹⁷

Thus, while the Morsi government may be desperate to secure the IMF loan and is committed to making far-reaching market-oriented reforms, adopting the IMF's terms and the consequent economic pain for millions of Egyptians presents a substantial political risk that the government has been unsurprisingly reluctant to take at a time when its legitimacy is being challenged on the streets by its opponents, election results notwithstanding. Indeed, it was the febrile political atmosphere surrounding last December's constitutional referendum that prompted President Morsi to postpone signing the IMF loan agreement and delay or renege on tax reforms and cuts to energy subsidies and other public spending programmes previously agreed on in negotiations with the IMF.

Although a number of Western and international donors remain insistent that Cairo adopt the IMF package before releasing their own funds earmarked for Egypt, some fear the consequences of waiting until the government finds the political strength to risk implementing an austerity programme. During a visit to Cairo in early March, US Secretary of State John Kerry said that Washington would release \$190 million of a pledged \$450 million in budget support to Egypt following an assurance by President Morsi that he plans to “complete the IMF process”.¹⁸ At the same time, Kerry urged Egypt's political class to put aside its differences and adopt the IMF's terms, exhorting political parties to “come together around the economic choices and to find some common ground.”

What Europe should do

European officials have said that they stand ready to help Egypt's economic transition with technical assistance, soft loans, and aid. A range of European investors and donors have already pledged a total of \$6.5 billion to Egypt, including \$590 million for the period 2011-2013 already made available from the European Union, an additional \$1.3 billion from the EU in macro-financial assistance, concessional loans, and grants, potential lending of up to \$2.2 billion for 2012 and 2013 from the European Investment Bank, and up to \$1.3 billion a year for the next two years from the European Bank for Reconstruction and Development.¹⁹ But aside from about \$900 million of this, most is conditional on the IMF loan being signed. Meanwhile, easy money from Saudi Arabia and especially Qatar artificially cushions the Egyptian government and enables it to delay the implementation of comprehensive economic reform. Thus, waiting for adoption of the IMF terms before disbursing funds effectively leaves Europe on

¹⁷ David Kirkpatrick, “First Fighting Islamists, Now The Free Market”, New York Times, 25 December 2012, available at http://www.nytimes.com/2012/12/26/world/middleeast/egypts-hamdeen-sabahi-vs-islamists-and-free-markets.html?_r=0.

¹⁸ “U.S. to give Egypt budget aid after assurance on IMF: Kerry”, Reuters, 3 March 2013, available at <http://www.reuters.com/article/2013/03/03/us-egypt-usa-kerry-idUSBRE9220AK20130303>.

¹⁹ “EU-Egypt Task Force Fact Sheet”, European Union, 14 November 2012, available at http://www.consilium.europa.eu/uedocs/cms_Data/docs/pressdata/EN/foraff/133513.pdf.

¹⁶ Joe Bavier, “Egypt must convince people of need for IMF - Lagarde”, Reuters, 8 January 2013, available at <http://www.reuters.com/article/2013/01/08/us-egypt-economy-imf-idUSBRE9070FD20130108>.

the sidelines when it could be playing a more immediate and constructive role in Egypt. Nor would a collapse of the Egyptian economy or further political instability be in the European interest.

Europe's proportional over-representation in the IMF's decision-making structures could allow it to play a positive role in achieving a reform agreement between the IMF and the Egyptian government, particularly since European officials are aware of the danger of over-burdening Egypt's fragile polity with additional reform demands. But it could also make a more direct impact on the overall political, economic, and social situation in Egypt by taking a staggered approach to aid that would alleviate pressure on balancing the budget once the IMF loan deal is signed. In this way, Europe would be able to complement and support the broader reform project while helping to prevent the economy from sliding into a zone from which accessing outside assistance would require even tougher and more politically risky conditionality. It should immediately release part of its funding package, which had initially been directed at supporting immediate infrastructure improvement and youth employment schemes.

The EU should reassess its mechanism of conditionality, which is based on the principle of "more for more" and "less for less" that has guided European support of the transitions in North Africa.²⁰ Disbursements could be predicated only on the stated condition that Egypt maintains its democratic goals. Thus the EU should withhold aid only if Egypt's government breaks fundamental democratic principles by, for example, preventing free and fair elections. In light of the current economic and political climate, the European Parliament's resolution that would withhold funds if Egypt's government fails to carry out significant steps to abide by human and democratic rights and the rule of law should define "significant" to ensure that funds are only held back if red lines are breached.²¹

Europe's priority in Egypt should be investing in young people, both by targeting partnerships with large companies and by promoting investment in the job-creation engine of Egypt's manufacturing sector. It is a tragedy that the private sector struggles to find qualified employees even though more young Egyptians than ever are looking for work.²² Graduate jobs at large transnational companies typically require applicants to apply business and management skills lacking in graduates of Egypt's tertiary education system. The long-term solution to this problem lies in overhauling and reforming Egypt's education sector, but European donors could have an immediate positive impact by finding and supporting private-sector partners on the ground that are able to plug the short-term gap in on-the-job vocational training and business skills among young Egyptians.

²⁰ See Anthony Dworkin, "The Struggle for Pluralism after the North African Revolutions", European Council on Foreign Relations, March 2013, available at http://ecfr.eu/page/-/ECFR74_PLURALISM_REPORT.pdf.

²¹ "No aid to Egypt without democracy, human rights: EU Parliament", *Ahram Online*, 15 March 2013, available at: <http://english.ahram.org.eg/News/66924.aspx>.

²² Moataz al-Alfi, "Jobs for the Young and Restless", *McKinsey on Society*, January 2013, available at <http://voices.mckinseysociety.com/youth-unemployment-egypt-solutions/>.

According to a senior EU diplomat in Cairo, the EU will sign two programmes under the ongoing national European Neighbourhood Policy that "respond directly to this problem".²³ An emergency \$90 million employment grant, to be signed in the next month, will create 90,000 jobs in basic infrastructural works while an additional \$64 million for a technical and vocational skills programme, to be signed later this year, will benefit many thousands of young job seekers in the construction, industry, and especially the tourism sectors. The funding for these initiatives will be provided "quite apart from the IMF package and budget support, which is a mix of grants and loans and linked to systemic reforms". The World Bank has also disbursed \$200 million to fund Egypt's small and medium enterprises through the Social Development Fund, with a special focus on rural Egypt.

This promising development exemplifies the awareness that Europe can and should move quickly to support Egypt's economy even before the IMF package is agreed, through aid and on-the-ground assistance. It should serve as a model for EU member states to develop their own programmes of targeted assistance, delinked from the conditionality of the larger IMF and other assistance, to help build Egypt's capacity in education, energy, tourism, and infrastructure. Europe should also aim to support Egypt's floundering manufacturing sector. A recent Egyptian report estimated that over 4,500 factories have shut down since the revolution at a cost to the economy of thousands of jobs, while many that remain open are plagued by power cuts, strikes, poor security, and difficulty in securing loans in credit markets as a result of their government's shaky credit.²⁴ A little cash and a lot of technical expertise could have a significant positive impact on reversing this trend.

Egypt's political situation prevents the Morsi government from embracing a comprehensive reform programme as demanded by the IMF at this point in time. Essential measures such as overhauling subsidies and raising the sales tax are a difficult sell to an already over-burdened population, many of whom have lost income and jobs over the past two years. The IMF loan effectively asks Egypt's political class, despite its profound schisms, to achieve consensus over a programme of economic reform that will bring short-term pain to millions of Egyptians. Advocates insist that the reform package offers the best prospect for sustainable development that raises living standards; many Egyptians, including major players in the political arena, believe it demands that ordinary Egyptians shoulder the burden of a set of changes that will bring them little benefit.

Conditioning European financial assistance to the Egyptian government on the adoption of an austerity programme will likely exacerbate political turmoil and place Egypt in a Catch-22 situation: lenders require political stability before releasing loans and aid; but political stability requires loans

²³ All quotations in this section are from a background interview in March 2013 with a senior EU diplomat in Cairo, conducted by the author.

²⁴ Asma al-Sharif, "Factories struggle in Egypt as costs, risks rise", *Reuters*, 27 February 2013, available at <http://www.reuters.com/article/2013/02/27/egypt-industry-idUSL6N0BKDRW20130227>.

and aid to create jobs and inclusive growth. European lenders should therefore offer Egypt grants and loans targeted at increasing employment even before the IMF loan is signed. The IMF loan is geared toward fixing long-term structural flaws in Egypt's economy. But the nation's most pressing problem – stubbornly high youth unemployment – needs immediate solutions, which Europe is well placed to provide through soft loans and aid focused on job creation. Reforming and revitalising Egypt's economy is vital to the prospects for a successful democratic transition – a project in which Europe also has a stake.

Acknowledgements

This paper would not have been possible without the help and support of many people. I would like to express my gratitude to various officials in London and Egypt who have been generous with their time and knowledge but would rather not be identified. Thanks to Fatima Ayub for encouraging me to pitch my ideas to ECFR in the first place, and to Tony Karon for his meticulous and eagle-eyed editing. I have been lucky to work closely with Daniel Levy, whose enthusiasm rubbed off on me and who opened doors to diplomats I would have struggled to meet as a journalist. Hans Kundnani's final edits were of course essential for refining the paper and strengthening my argument. Finally, as ever, I'm indebted to Bradley Hope for reading and re-reading several drafts of this paper and helping open my eyes.

About the author

Farah Halime is a Visiting Fellow at the European Council on Foreign Relations. Based in Cairo, Farah is a Middle East business journalist whose contributions have appeared in the *Wall Street Journal*, *Financial Times* and *International Herald Tribune*. She is also the founder and editor of *RebelEconomy.com*, a business blog focusing on how Arab countries are rebuilding post-revolution.

The European Council on Foreign Relations is a unique strategic community composed of over two hundred members - including serving foreign ministers, members of parliament, former NATO secretary generals, intellectuals and business leaders - from across Europe.

Asger Aamund (Denmark)

President and CEO, A. J. Aamund A/S and Chairman of Bavarian Nordic A/S

Valdas Adamkus (Lithuania)

Former President

Urban Ahlin (Sweden)

Deputy Chairman of the Foreign Affairs Committee and foreign policy spokesperson for the Social Democratic Party

Martti Ahtisaari (Finland)

Chairman of the Board, Crisis Management Initiative; former President

Douglas Alexander (United Kingdom)

Member of Parliament

Ekim Alptekin (Turkey/The Netherlands)

President, Turkish American Business Association

Luis Amado (Portugal)

Chairman, Banco Internacional do Funchal (Banif)

Giuliano Amato (Italy)

Former Prime Minister; Chairman, Scuola Superiore Sant'Anna; Chairman, Enciclopedia Treccani; Chairman, Centro Studi Americani

Jose M. de Areilza Carvajal (Spain)

Professor of Law, ESADE; Secretary General, Aspen Institute (Spain)

Gustavo de Aristegui (Spain)

Ambassador of Spain to India; former Member of Parliament

Giampiero Auletta Armenise (Italy)

Chairman, Rothschild Bank, Italy

Viveca Ax:son Johnson (Sweden)

Chairman of Nordstjernan AB

Gordon Bajnai (Hungary)

Former Prime Minister

Dora Bakoyannis (Greece)

Member of Parliament; former Foreign Minister

Leszek Balcerowicz (Poland)

Professor of Economics at the Warsaw School of Economics; former Deputy Prime Minister

Luís Bassetts (Spain)

Deputy Director, El País

Marek Belka (Poland)

Governor, National Bank of Poland; former Prime Minister

Roland Berger (Germany)

Founder and Honorary Chairman, Roland Berger Strategy Consultants GmbH

Erik Berglöf (Sweden)

Chief Economist, European Bank for Reconstruction and Development

Jan Krzysztof Bielecki (Poland)

Chairman, Prime Minister's Economic Council; former Prime Minister

Carl Bildt (Sweden)

Foreign Minister

Henryka Bochniarz (Poland)

President, Polish Confederation of Private Employers – Lewiatan

Svetoslav Bojilov (Bulgaria)

Founder, Communitas Foundation and President of Venture Equity Bulgaria Ltd.

Ingrid Bonde (Sweden)

CFO & Deputy CEO, Vattenfall AB

Emma Bonino (Italy)

Former Vice President of the Senate; former EU Commissioner

Stine Bosse (Denmark)

Chairman & Non-Executive Board Member

Franziska Brantner (Germany)

Member of the European Parliament

Han ten Broeke (The Netherlands)

Member of Parliament and spokesperson for foreign affairs and defence

John Bruton (Ireland)

Former European Commission Ambassador to the USA; former Prime Minister (Taoiseach)

Francois Burgat (France)

Senior Research Fellow at the French National Centre for Scientific Research; Director, French Institute of the Near East

Ian Buruma (The Netherlands)

Writer and academic

Erhard Busek (Austria)

Chairman of the Institute for the Danube and Central Europe

Jerzy Buzek (Poland)

Member of the European Parliament; former President of the European Parliament; former Prime Minister

Gunilla Carlsson (Sweden)

Minister for International Development Cooperation

Maria Livanos Cattau (Switzerland)

Former Secretary General of the International Chamber of Commerce

Ipek Cem Taha (Turkey)

Director of Melak Investments/Journalist

Sonsoles Centeno Huerta (Spain)

State Attorney, Ministry of Foreign Affairs

Carmen Chacón (Spain)

Former Minister of Defence

Charles Clarke (United Kingdom)

Visiting Professor of Politics, University of East Anglia; former Home Secretary

Nicola Cless (Sweden)

Ambassador to the United Kingdom; former State Secretary

Daniel Cohn-Bendit (Germany)

Member of the European Parliament

Robert Cooper (United Kingdom)

Former Counsellor of the European External Action Service

Gerhard Cromme (Germany)

Chairman of the Supervisory Board, Siemens

Maria Cuffaro (Italy)

Anchorwoman, TG3, RAI

Daniel Daianu (Romania)

Professor of Economics, National School of Political and Administrative Studies (SNSPA); former Finance Minister

Massimo D'Alema (Italy)

President, Italianeuropei Foundation; President, Foundation for European Progressive Studies; former Prime Minister and Foreign Minister

Amaud Danjean (France)

Member of the European Parliament

Marta Dassù (Italy)

Deputy Minister for Foreign Affairs

Ahmet Davutoglu (Turkey)

Foreign Minister

Aleš Debeljak (Slovenia)

Poet and Cultural Critic

Jean-Luc Dehaene (Belgium)

Member of the European Parliament; former Prime Minister

Gianfranco Dell'Alba (Italy)

Director, Confindustria Delegation to Brussels; former Member of the European Parliament

Pavol Demeš (Slovakia)

Senior Transatlantic Fellow, German Marshall Fund of the United States (Bratislava)

Kemal Dervis (Turkey)

Vice-President and Director of Global Economy and Development, Brookings Institution

Tibor Dessewffy (Hungary)

President, DEMOS Hungary

Hanzade Doğan Boyner (Turkey)

Chair, Doğan Gazetecilik and Doğan On-line

Andrew Duff (United Kingdom)

Member of the European Parliament

Mikuláš Dzurinda (Slovakia)

Former Foreign Minister

Hans Eichel (Germany)

Former Finance Minister

Rolf Ekeus (Sweden)

Former Executive Chairman, United Nations Special Commission on Iraq; former OSCE High Commissioner on National Minorities; former Chairman Stockholm International Peace Research Institute, SIPRI

Uffe Ellemann-Jensen (Denmark)

Chairman, Baltic Development Forum; former Foreign Minister

Ine Eriksen Soreide (Norway)

Member of Parliament; Chair of the Foreign Affairs Committee

Steven Everts (The Netherlands)

Adviser to the Vice President of the European Commission and EU High Representative for Foreign and Security Policy

Tanja Fajon (Slovenia)

Member of the European Parliament

Gianfranco Fini (Italy)

Former President, Chamber of Deputies; former Foreign Minister

Joschka Fischer (Germany)

Former Foreign Minister and vice-Chancellor

Karin Forseke (Sweden/USA)

Chairman, Alliance Trust Plc

Lykke Friis (Denmark)

Member of Parliament; former Minister for Climate, Energy and Gender Equality

Jaime Gama (Portugal)

Former Speaker of the Parliament; former Foreign Minister

Timothy Garton Ash (United Kingdom)

Professor of European Studies, Oxford University

Carlos Gaspar (Portugal)

Chairman of the Portuguese Institute of International Relations (IPIRI)

Sylvie Goulard (France)

Member of the European Parliament

Teresa Patricia Gouveia (Portugal)

Trustee to the Board of the Calouste Gulbenkian Foundation; former Foreign Minister

Heather Grabbe (United Kingdom)

Executive Director, Open Society Institute – Brussels

Charles Grant (United Kingdom)

Director, Centre for European Reform

Jean-Marie Guéhenno (France)

Director of the Centre on International Conflict Resolution, Columbia University (New York); Senior Fellow, Brookings Institution; former Under-Secretary-General for Peacekeeping Operations at the UN

Elisabeth Guigou (France)

Member of Parliament and President of the Foreign Affairs Committee

Fernando Andresen Guimarães (Portugal)

Head of the US and Canada Division, European External Action Service

Jytte Gutland (Sweden)

Project Manager, Global Challenge

Karl-Theodor zu Guttenberg (Germany)

Former Defence Minister

István Gyarmati (Hungary)

President and CEO, International Centre for Democratic Transition

Hans Hækkerup (Denmark)

Former Chairman, Defence Commission; former Defence Minister

Heidi Hautala (Finland)

Minister for International Development

Sasha Havlicek (United Kingdom)

Executive Director, Institute for Strategic Dialogue (ISD)

Connie Hedegaard (Denmark)

Commissioner for Climate Action

Steven Heinz (Austria)

Co-Founder & Co-Chairman, Lansdowne Partners Ltd

Annette Heuser (Germany)

Executive Director, Bertelsmann Foundation Washington DC

Diego Hidalgo (Spain)

Co-founder of Spanish newspaper El País; President, FRIDE

Jaap de Hoop Scheffer (The Netherlands)

Former NATO Secretary General

Danuta Hübner (Poland)

Member of the European Parliament; former European Commissioner

Anna Ibrisagic (Sweden)

Member of the European Parliament

Jaakko Iloniemi (Finland)

Former Ambassador and former Executive Director, Crisis Management Initiative

Toomas Iives (Estonia)
President

Wolfgang Ischinger (Germany)
Chairman, Munich Security Conference;
Global Head of Government Affairs
Allianz SE

Minna Järvenpää (Finland/US)
Former International Advocacy Director,
Open Society Foundation

Jo Johnson (United Kingdom)
Member of Parliament

Mary Kaldor (United Kingdom)
Professor, London School of Economics

Ibrahim Kalin (Turkey)
Senior Advisor to the Prime Minister
of Turkey on foreign policy and public
diplomacy

Sylvie Kauffmann (France)
Editorial Director, Le Monde

Suat Kiniklioglu (Turkey)
Executive Director, Centre for Strategic
Communication (Stratim)

Olli Kivinen (Finland)
Writer and columnist

Ben Knapen (The Netherlands)
Permanent Representative, European
Investment Bank; former Minister for
European Affairs and International
Cooperation

Gerald Knaus (Austria)
Chairman of the European Stability
Initiative and Carr Center Fellow

Caio Koch-Weser (Germany)
Vice Chairman, Deutsche Bank Group;
former State Secretary

Bassma Kodmani (France)
Executive Director of the Arab Reform
Initiative

Rem Koolhaas (The Netherlands)
Architect and urbanist; Professor at the
Graduate School of Design, Harvard
University

David Koranyi (Hungary)
Deputy Director, Dinu Patriciu Eurasia
Center of the Atlantic Council of the
United States

Bernard Kouchner (France)
Former Minister of Foreign Affairs

Ivan Krastev (Bulgaria)
Chair of Board, Centre for Liberal
Strategies

Meglana Kuneva (Bulgaria)
President of 'Bulgaria of the Citizens'
movement

**Aleksander Kwaśniewski
(Poland)**
Former President

Mart Laar (Estonia)
Minister of Defence; former Prime
Minister

Brigid Laffan (Ireland)
Principal, College of Human Sciences,
and Jean Monnet Professor of
European Politics, University College
Dublin

Miroslav Lajčák (Slovakia)
Deputy Prime Minister and Minister for
Foreign and European Affairs

**Alexander Graf Lambsdorff
(Germany)**
Member of the European Parliament

Pascal Lamy (France)
Honorary President, Notre Europe and
Director-General of WTO; former EU
Commissioner

Thomas Leysen (Belgium)
Chairman, Umicore

Bruno Le Maire (France)
Former Minister for Food, Agriculture
& Fishing

Mark Leonard (United Kingdom)
Director, European Council on Foreign
Relations

**Jean-David Levitte (United
Kingdom)**
Former Senior Diplomatic Advisor and
former Sherpa to the President of the
French Republic; former Ambassador to
the United States

Sonia Licht (Serbia)
President, Belgrade Fund for Political
Excellence

**Juan Fernando López Aguilar
(Spain)**
Member of the European Parliament;
former Minister of Justice

Adam Lury (United Kingdom)
CEO, Menemsha Ltd

Monica Macovei (Romania)
Member of the European Parliament

Emma Marcegaglia (Italy)
CEO of Marcegaglia S.p.A; former
President, Confindustria

Marco Margheri (Italy)
Senior Vice President Public and EU
Affairs, Edison S.p.A

Katharina Mathernova (Slovakia)
Senior Advisor, World Bank

Inigo Mendez de Vigo (Spain)
Secretary of State for the European
Union

**David Miliband (United
Kingdom)**
Member of Parliament; Former
Secretary of State for Foreign and
Commonwealth Affairs

Alain Minc (France)
President of AM Conseil; former
chairman, Le Monde

Nickolay Mladenov (Bulgaria)
Former Foreign Minister; former
Defence Minister; former Member of
the European Parliament

Dominique Moisi (France)
Senior Adviser, IFRI

Pierre Moscovici (France)
Finance Minister; former Minister for
European Affairs

Nils Muiznieks (Latvia)
Council of Europe Commissioner for
Human Rights

Hildegard Müller (Germany)
Chairwoman, BDEW Bundesverband
der Energie- und Wasserwirtschaft

Wolfgang Münchau (Germany)
President, Eurointelligence ASBL

Alina Mungiu-Pippidi (Romania)
Professor of Democratic Studies, Hertie
School of Governance

**Kalypto Nicolaidis
(Greece/France)**
Professor of International Relations,
University of Oxford

Dietmar Nietan (Germany)
Member of Parliament

Daiithi O'Ceallaigh (Ireland)
Director-General, Institute of
International and European Affairs

Christine Ockrent (Belgium)
Editorialist

Andrzej Olechowski (Poland)
Former Foreign Minister

Dick Oosting (The Netherlands)
CEO, European Council on Foreign
Relations; former Europe Director,
Amnesty International

**Mabel van Oranje (The
Netherlands)**
Senior Adviser, The Elders

Anita Orban (Hungary)
Ambassador-at-large for Energy
Security, Ministry of Foreign Affairs

Marcelino Oreja Aguirre (Spain)
Member of the Board, Fomento de
Construcciones y Contratas; former EU
Commissioner

Monica Oriol (Spain)
CEO, Seguriber

Andres Ortega (Spain)
Writer and Journalist; former Director
of Policy Planning, office of the Spanish
Prime Minister

Cem Özdemir (Germany)
Leader, Bündnis90/Die Grünen (Green
Party)

Ana Palacio (Spain)
Member of the Council of State;
Former Foreign Minister; former Senior
President and General Counsel of the
World Bank Group

Simon Panek (Czech Republic)
Chairman, People in Need Foundation

Chris Patten (United Kingdom)
Chair, BBC Trust, Chancellor of Oxford
University; former EU Commissioner

Diana Pinto (France)
Historian and author

Georgi Pirinski (Bulgaria)
Former Deputy Speaker of the Bulgarian
Government

Jean Pisani-Ferry (France)
Director, Bruegel; Professor, Université
Paris-Dauphine

Lapo Pistelli (Italy)
Member of Parliament

Ruprecht Polenz (Germany)
Member of Parliament; Chairman of the
Bundestag Foreign Affairs Committee

Lydie Polfer (Luxembourg)
Member of Parliament; former Foreign
Minister

**Charles Powell
(Spain/United Kingdom)**
Director, Real Instituto Elcano

**Andrew Pudephatt
(United Kingdom)**
Director, Global Partners & Associated
Ltd.

Vesna Pusić (Croatia)
Foreign Minister

**Robert Reibestein
(The Netherlands)**
Director, McKinsey & Company

**George Robertson
(United Kingdom)**
Former Secretary General of NATO

Albert Rohan (Austria)
Former Secretary General for Foreign
Affairs

Adam D. Rotfeld (Poland)
Former Minister of Foreign Affairs;
Co-Chairman of Polish-Russian Group
on Difficult Matters, Commissioner of
Euro-Atlantic Security Initiative

Norbert Röttgen (Germany)
Former Minister for the Environment,
Conservation and Nuclear Safety

Olivier Roy (France)
Professor, European University Institute,
Florence

Daniel Sachs (Sweden)
CEO, Proventus

**Ghassan Salame (Lebanon/
France)**
Dean, Paris School of International
Affairs; Professor of International
Relations at Sciences Po and Columbia
University

Pasquale Salzano (Italy)
Vice President, International Institutional
Affairs, ENI

Stefano Sannino (Italy)
Director General for Enlargement,
European Commission

Javier Santiso (Spain)
Director, Office of the CEO of Telefonica
Europe

**Marietje Schaaek
(The Netherlands)**
Member of the European Parliament

Klaus Scharioth (Germany)
Dean of the Mercator Fellowship
on International Affairs; former
Ambassador of the Federal Republic of
Germany to the US

Pierre Schori (Sweden)
Chair of Olof Palme Memorial Fund;
former Director General, FRIDE; former
SRSG to Cote d'Ivoire

Wolfgang Schüssel (Austria)
Former Federal Chancellor

**Karel Schwarzenberg
(Czech Republic)**
Foreign Minister

Giuseppe Scognamiglio (Italy)
Executive Vice President, Head of Public
Affairs Department, UniCredit Spa

Piotr Serafin (Poland)
Secretary of State for European Affairs

Narcís Serra (Spain)
Chair of CIDOB Foundation; former Vice
President of the Spanish Government

Radosław Sikorski (Poland)
Foreign Minister

Aleksander Smolar (Poland)
Chairman of the Board, Stefan Batory
Foundation

Javier Solana (Spain)
Former EU High Representative for the
Common Foreign and Security Policy &
Secretary-General of the Council of the
EU; former Secretary General of NATO

George Soros (Hungary/USA)
Founder and Chairman, Open Society
Foundations

Teresa de Sousa (Portugal)
Journalist

Rory Stewart (United Kingdom)
Member of Parliament

Alexander Stubb (Finland)
Minister for Foreign Trade and
European Affairs; former Foreign
Minister

Michael Stürmer (Germany)
Chief Correspondent, Die Welt

Ion Sturza (Romania)
President, GreenLight Invest; former
Prime Minister of the Republic of
Moldova

Christos Stylianides (Cyprus)

Spokesperson, Government of the Republic of Cyprus

Paweł Świeboda (Poland)

President, Demos EUROPA - Centre for European Strategy

Vessela Tcherneva (Bulgaria)

Programme Director, Centre for Liberal Studies

Teija Tiilikainen (Finland)

Director, Finnish Institute for International Relations

Nathalie Tocci (Italy)

Deputy Director, Istituto Affari Internazionali

Luisa Todini (Italy)

Chair, Todini Finanziaria S.p.A.; Member of the Board of Directors, RAI

Loukas Tsoukalis (Greece)

Professor, University of Athens and President, ELIAMEP

Erkki Tuomioja (Finland)

Foreign Minister

Daniel Valtchev, (Bulgaria)

Former Deputy PM and Minister of Education

Jordi Vaquer (Spain)

Director, Open Society Initiative for Europe

Vaira Vīķe-Freiberga (Latvia)

Former President

Antonio Vitorino (Portugal)

Lawyer; former EU Commissioner

Andre Wilkens (Germany)

Director Mercator Centre Berlin and Director Strategy, Stiftung Mercator

Karla Wursterova (Slovakia)

Director, International Visegrad Fund

Carlos Alonso Zaldivar (Spain)

Former Ambassador to Brazil

Stelios Zavvos (Greece)

CEO, Zeus Capital Managers Ltd

Samuel Žbogar (Slovenia)

EU Representative to Kosovo; former Foreign Minister

ALSO AVAILABLE FROM ECFR**New World Order: The Balance of Soft Power and the Rise of Herbivorous Powers**

Ivan Krastev and Mark Leonard, October 2007 (ECFR/01)

A Power Audit of EU-Russia Relations

Mark Leonard and Nicu Popescu, November 2007 (ECFR/02)

Poland's second return to Europe?

Paweł Świeboda, December 2007 (ECFR/03)

Afghanistan: Europe's forgotten war

Daniel Korski, January 2008 (ECFR/04)

Meeting Medvedev: The Politics of the Putin Succession

Andrew Wilson, February 2008 (ECFR/05)

Re-energising Europe's Security and Defence Policy

Nick Witney, July 2008 (ECFR/06)

Can the EU win the Peace in Georgia?

Nicu Popescu, Mark Leonard and Andrew Wilson, August 2008 (ECFR/07)

A Global Force for Human Rights? An Audit of European Power at the UN

Richard Gowan and Franziska Brantner, September 2008 (ECFR/08)

Beyond Dependence: How to deal with Russian Gas

Pierre Noel, November 2008 (ECFR/09)

Re-wiring the US-EU relationship

Daniel Korski, Ulrike Guerot and Mark Leonard, December 2008 (ECFR/10)

Shaping Europe's Afghan Surge

Daniel Korski, March 2009 (ECFR/11)

A Power Audit of EU-China Relations

John Fox and François Godement, April 2009 (ECFR/12)

Beyond the "War on Terror": Towards a New Transatlantic Framework for Counterterrorism

Anthony Dworkin, May 2009 (ECFR/13)

The Limits of Enlargement-lite: European and Russian Power in the Troubled Neighbourhood

Nicu Popescu and Andrew Wilson, June 2009 (ECFR/14)

The EU and human rights at the UN: 2009 annual review

Richard Gowan and Franziska Brantner, September 2009 (ECFR/15)

What does Russia think?

edited by Ivan Krastev, Mark Leonard and Andrew Wilson, September 2009 (ECFR/16)

Supporting Moldova's Democratic Transition

Nicu Popescu, October 2009 (ECFR/17)

Can the EU rebuild failing states? A review of Europe's Civilian Capacities

Daniel Korski and Richard Gowan, October 2009 (ECFR/18)

Towards a Post-American Europe: A Power Audit of EU-US Relations

Jeremy Shapiro and Nick Witney, October 2009 (ECFR/19)

Dealing with Yanukovich's Ukraine

Andrew Wilson, March 2010 (ECFR/20)

Beyond Wait-and-See: The Way Forward for EU Balkan Policy

Heather Grabbe, Gerald Knaus and Daniel Korski, May 2010 (ECFR/21)

A Global China Policy

François Godement, June 2010 (ECFR/22)

Towards an EU Human Rights Strategy for a Post-Western World

Susi Dennison and Anthony Dworkin, September 2010 (ECFR/23)

The EU and Human Rights at the UN: 2010 Review

Richard Gowan and Franziska Brantner, September 2010 (ECFR/24)

The Spectre of a Multipolar Europe

Ivan Krastev & Mark Leonard with Dimitar Bechev, Jana Kobzova & Andrew Wilson, October 2010 (ECFR/25)

Beyond Maastricht: a New Deal for the Eurozone

Thomas Klau and François Godement, December 2010 (ECFR/26)

The EU and Belarus after the Election

Balázs Jarábik, Jana Kobzova and Andrew Wilson, January 2011 (ECFR/27)

After the Revolution: Europe and the Transition in Tunisia

Susi Dennison, Anthony Dworkin, Nicu Popescu and Nick Witney, March 2011 (ECFR/28)

European Foreign Policy Scorecard 2010

March 2011 (ECFR/29)

The New German Question: How Europe can get the Germany it needs

Ulrike Guerot and Mark Leonard, April 2011 (ECFR/30)

Turning Presence into Power: Lessons from the Eastern Neighbourhood**Turning Presence into Power: Lessons from the Eastern Neighbourhood**

Nicu Popescu and Andrew Wilson, May 2011 (ECFR/31)

Egypt's Hybrid Revolution: a Bolder EU Approach

Anthony Dworkin, Daniel Korski and Nick Witney, May 2011 (ECFR/32)

A Chance to Reform: How the EU can support Democratic Evolution in Morocco

Susi Dennison, Nicu Popescu and José Ignacio Torreblanca, May 2011 (ECFR/33)

China's Janus-faced Response to the Arab Revolutions

Jonas Parelló-Plesner and Raffaello Pantucci, June 2011 (ECFR/34)

What does Turkey think?

Edited by Dimitar Bechev, June 2011 (ECFR/35)

What does Germany think about Europe?

Edited by Ulrike Guerot and Jacqueline Hénard, June 2011 (ECFR/36)

The Scramble for Europe

François Godement and Jonas Parelló-Plesner with Alice Richard, July 2011 (ECFR/37)

Palestinian Statehood at the UN: Why Europeans Should Vote "Yes"

Daniel Levy and Nick Witney, September 2011 (ECFR/38)

The EU and Human Rights at the UN: 2011 Review

Richard Gowan and Franziska Brantner, September 2011 (ECFR/39)

How to Stop the Demilitarisation of Europe

Nick Witney, November 2011 (ECFR/40)

Europe and the Arab Revolutions: A New Vision for Democracy and Human Rights

Susi Dennison and Anthony Dworkin, November 2011 (ECFR/41)

Spain after the Elections: the "Germany of the South"?

José Ignacio Torreblanca and Mark Leonard, November 2011 (ECFR/42)

Four Scenarios for the Reinvention of Europe

Mark Leonard, November 2011 (ECFR/43)

Dealing with a Post-Bric Russia

Ben Judah, Jana Kobzova and Nicu Popescu, November 2011 (ECFR/44)

Rescuing the euro: what is China's price?'

François Godement, November 2011 (ECFR/45)

A "Reset" with Algeria: the Russia to the EU's South

Hakim Darbouche and Susi Dennison, December 2011 (ECFR/46)

Ukraine after the Tymoshenko verdict

Andrew Wilson, December 2011 (ECFR/47)

European Foreign Policy Scorecard 2012

February 2012 (ECFR/48)

The long-shadow of Ordoliberalism: Germany's Approach to the Euro crisis

Sebastian Dullien and Ulrike Guérot, February 2012 (ECFR/49)

The end of the Putin consensus

Ben Judah and Andrew Wilson, March 2012 (ECFR/50)

Syria: Towards a Political Solution

Julien Barnes-Dacey, March 2012 (ECFR/51)

How the EU Can Support Reform in Burma

Jonas Parello-Plesner, March 2012 (ECFR/52)

China at the crossroads

François Godement, April 2012 (ECFR/53)

Europe and Jordan: Reform before it's too late

Julien Barnes-Dacey, April 2012 (ECFR/54)

China and Germany: Why the Emerging Special Relationship Matters for Europe

Hans Kundnani and Jonas Parello-Plesner, May 2012 (ECFR/55)

After Merkozy: How France and Germany Can Make Europe Work

Ulrike Guérot and Thomas Klau, May 2012 (ECFR/56)

The EU and Azerbaijan: Beyond Oil

Jana Kobzova and Leila Alieva, May 2012 (ECFR/57)

A Europe of Incentives: How to Regain the Trust of Citizens and Markets

Mark Leonard and Jan Zielonka, June 2012 (ECFR/58)

The Case for Co-operation in Crisis Management

Richard Gowan, June 2012 (ECFR/59)

The Periphery of the Periphery: The Western Balkans and the Euro Crisis

Dimitar Bechev, August 2012 (ECFR/60)

Lebanon: Containing Spillover from Syria

Julien Barnes-Dacey, September 2012 (ECFR/61)

A Power Audit of EU-North Africa Relations

Nick Witney and Anthony Dworkin, September 2012 (ECFR/62)

Transnistria: A Bottom-up Solution

Nicu Popescu and Leonid Litra, September 2012 (ECFR/63)

Why the Euro Crisis Threatens the European Single Market

Sebastian Dullien, October 2012 (ECFR/64)

The EU and Ukraine after the 2012 Elections

Andrew Wilson, November 2012 (ECFR/65)

China 3.0

Edited by Mark Leonard, November 2012 (ECFR/66)

Time to grow up: what Obama's re-election means for Europe

Dimitar Bechev, Anthony Dworkin, François Godement, Richard Gowan, Hans Kundnani, Mark Leonard, Daniel Levy, Kadri Liik and Nick Witney, November 2012 (ECFR/67)

Jordan Tremors: Elusive consensus, deepening discontent

Julien Barnes-Dacey, November 2012 (ECFR/68)

The EU, Algeria and the Northern Mali Question

Susi Dennison, December 2012 (ECFR/69)

What is Political Union?

Sebastian Dullien and José Ignacio Torreblanca, December 2012 (ECFR/70)

Shooting in the Dark? EU Sanctions Policies

Konstanty Gebert, January 2013 (ECFR/71)

The New Political Geography of Europe

edited by Nicholas Walton and Jan Zielonka, January 2013 (ECFR/72)

European Foreign Policy Scorecard 2013

February 2013 (ECFR/73)

The Struggle for Pluralism after the North African Revolutions

Anthony Dworkin, March 2013 (ECFR/74)

Georgia's bumpy transition: How the EU can help

Jana Kobzova, April 2013 (ECFR/75)

ABOUT ECFR

The **European Council on Foreign Relations** (ECFR) is the first pan-European think-tank. Launched in October 2007, its objective is to conduct research and promote informed debate across Europe on the development of coherent, effective and values-based European foreign policy.

ECFR has developed a strategy with three distinctive elements that define its activities:

- **A pan-European Council.** ECFR has brought together a distinguished Council of over two hundred Members - politicians, decision makers, thinkers and business people from the EU's member states and candidate countries - which meets once a year as a full body. Through geographical and thematic task forces, members provide ECFR staff with advice and feedback on policy ideas and help with ECFR's activities within their own countries. The Council is chaired by Martti Ahtisaari, Joschka Fischer and Mabel van Oranje.
- **A physical presence in the main EU member states.** ECFR, uniquely among European think-tanks, has offices in Berlin, London, Madrid, Paris, Rome, Sofia and Warsaw. Our offices are platforms for research, debate, advocacy and communications.
- **A distinctive research and policy development process.** ECFR has brought together a team of distinguished researchers and practitioners from all over Europe to advance its objectives through innovative projects with a pan-European focus. ECFR's activities include primary research, publication of policy reports, private meetings and public debates, 'friends of ECFR' gatherings in EU capitals and outreach to strategic media outlets.

ECFR is a registered charity funded by the Open Society Foundations and other generous foundations, individuals and corporate entities. These donors allow us to publish our ideas and advocate for a values-based EU foreign policy. ECFR works in partnership with other organisations but does not make grants to individuals or institutions.

www.ecfr.eu

The European Council on Foreign Relations does not take collective positions. This paper, like all publications of the European Council on Foreign Relations, represents only the views of its authors.

Copyright of this publication is held by the European Council on Foreign Relations. You may not copy, reproduce, republish or circulate in any way the content from this publication except for your own personal and non-commercial use. Any other use requires the prior written permission of the European Council on Foreign Relations

© ECFR April 2013.
ISBN: 978-1-906538-76-7

Published by the European Council on Foreign Relations (ECFR),
35 Old Queen Street, London,
SW1H 9JA, United Kingdom

london@ecfr.eu