

CHAPTER V

CONCLUSION

This chapter describes about the final result of the main problem of this topic and the conclusion.

During the early years of the new president of Egypt, Hosni Mubarak in 1980s, Egypt was experiencing an economic crisis due to several reasons. For instance, the prices of oil had collapsed, the income from oil export as well as the lesser fees from Suez Canal had been reduced since there were only fewer ships crossing the canal (Licari, 1997). At first, the Egyptian government did not want to ask for loans since they thought Mubarak “Open Door Policy” would finally take them out of another economic crisis for years (Soliman, 2011). Frankly, it did not stand up for too long until in 1986, and the Egyptian government finally felt the urge in looking for loans to recover from the crisis. This similar tragedy also happened in 1977 when the whole country was experiencing the food riots since the government could no longer subsidize the basic need for their own people.

Due to the urgency for financial assistance, Egypt finally asked for help in one of the biggest international organizations working in the monetary system, International Monetary Fund (IMF). Since IMF is an international organization, one of its main objective is to erase any monetary crisis in the global area, especially in its state members. Not only that, IMF also provides a financial assistance as loans or debts for the state members that are in need of an extra financial support called

Structural Adjustment Program (SAP) (Easterly, 2003). Nevertheless, the SAP that has been provided by the IMF is for all state members which are in need. There are still terms and preconditions to apply before getting the loans.

At the first negotiation of agreement between Egypt and IMF, IMF had already offered to Egypt several preconditions for its country to follow before finally being considered as a qualified debtor state. Unfortunately, Egypt was not able to follow and do the whole preconditions agreement which made the 1987 agreement come to an end. For the next negotiation of agreements in 1991, IMF brought some new additional preconditions for Egypt. There were seven preconditions until Egypt finally followed the rule even though it could only fill three of them, Egypt was still unqualified. Until in the middle of 1991, IMF finally approved the unqualified state member. Since knowing that Egypt was not a good candidate in receiving IMF's fund, a violation or a dispute in the decision making system must have been occurred by now.

Remembering that IMF is an international organization, it must have a system in order to create certain policy towards its state member, especially in decision making process. The decision making process in IMF is made by one of its powerful division called the Executive Board (Horsefield, 1961). The Executive Board consists of several state members which are acting as the highest position in IMF due to the amount of wealth they put in IMF. Those states are considered to be the G-7 (United States, Japan, Germany, France, United Kingdom, Italy, and Canada), while the United States has the highest veto rights in the voting system to make policies in IMF. However, each of their policy or outcomes must have been

based on Article IV Consultation (IMF, 2016). It is a report of regulations and articles inside the IMF system.

When Egypt received its loans in 1991, there was actually an important event happened in the Middle East. The Gulf War started in 1990 between Iraq and Kuwait (Fitzgerald, 2010). It started from the oil field fights between both countries and Iraq due to the debt to Kuwait. The Middle East had been split into two coalitions, Kuwait side or Iraqi side. Egypt was in Kuwait coalition and it sent 45,000 military troops to Saudi Arabia in order to cover Kuwait from the Iraqi invasion. One of the most important spot in Kuwait that was taken over by Iraq is the oil field including the ones that belong to the United States.

The United States felt really grateful for being able to see Egypt fighting against the Iraqi militants while they were also in a deep financial crisis. The sense of closeness and loyalty had grown in the United States towards Egyptian government. The United States must have been thinking about the risk of losing one state due to an economic crisis in its coalition (Kuwait coalition) which would be very unfortunately for it since the United States also had oil pipelines to cover in Kuwait (Halliday, 1994). Therefore, the United States finally approved Egypt's debt request in 1991 so that Egypt could stay in the battle and protect the United States interest as well even when Egypt did not have the capability to fulfill them. In conclusion, the United States used its national interest in influencing the decision making process in IMF for providing financial assistance to Egypt in 1991.