

**THE INTERNATIONAL MONETARY FUND (IMF) DECISION MAKING  
PROCESS TOWARDS EGYPT FINANCIAL ASSISTANCE (1987-1991)**

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**ABSTRACT**

This undergraduate thesis will describe about the influence of the United States in International Monetary Fund (IMF) decision making process regarding to Egypt financial assistance which happened in 1987 until 1991. The IMF itself is an international organization that established in Bretton Woods, 1944, and consists of 189 countries working to maintain and supervise the global monetary cooperation, secure financial stability, and provide financial aids for all of its members that experiencing monetary crisis.

Egypt became a permanent member in IMF since 1947 and experienced a financial crisis in 1987. Egypt decided to finally ask for loans to IMF in 1987, yet its unable to fulfill the requirements. Until 1991, the negotiations of agreement between Egypt and IMF finally approved by the IMF even when Egypt still unable to fulfill the whole preconditions. Thus, the writer would like to analyze the main reason of the United States in interfering the Executive Board decision which will be the final policy from the IMF to Egypt while it was unsuccessfully filling the whole preconditions.

**Keywords** : International Monetary Fund, Egypt, The United States, Gulf War.

## **A. BACKGROUND**

The International Monetary Fund (IMF) was formed at a United Nations conference in Bretton Woods, New Hampshire, United States, in July 1944. The goal of IMF establishment was to create an economic cooperation arrangement in order to avoid another devaluations that caused to the Great Depression in 1930s. Through negotiations and agreements from all 44 non-communist nations, they decided to create a structure and operation of the international monetary system. Therefore, the main purpose of the IMF is to ensure the stability of the international monetary system. It is a currency exchange system and international payment system that allows countries to trade each other. Today, there are 189 members in IMF and the Fund's mandate was updated in 2012 to include all macroeconomic and financial sector issues that bear on global stability (Horsefield, 1961, pp. 38-39).

In IMF, there are some department that has been divided into its own particular matters. One of the most important division is the Executive Board, its concern is taking responsibility to conduct the everyday business. The Board members are selected through the amount of contribution from their country to IMF. Therefore, the Board has a higher status in IMF for being the decision maker which likely to approve any policies or any related business towards debts and loans to all country members. Although the decision making process outcome had to be approved through voting system in the Board and IMF members, it is still must be considered by Article IV Consultations (Fund, Surveillance, n.d.).

Having to know that IMF like most other International Organizations which established in order to gain more closer relationship among states and also to help solving several problems that was happening in some countries, there must have been some several requirements or conditions to follow in order to get the assistance that the country need. In IMF particularly, the financial assistance that is given to the country where it experience an economic crisis

called as Structural Adjustment Programmes (SAPs). Of course, these SAPs are not free. For the country that is experiencing an economic crisis and needs some financial aid from the IMF, there are some conditions to follow in order to get those aids (Fund, Articles of Agreement of the International Monetary Fund, 2016).

Loans and related conditions are well known as the macroeconomic system which to reduce the budget deficit, devaluation and domestic conditions. Credit expansion and structural conditions such as controlled release, prices and interest rates (raising the price of public services), reducing trade barriers, privatization of state enterprises (Easterly, 2003, p. 5). These terms also include eliminating food subsidies and cutting wages. The logic of the appropriate conditions for IMF loan intended to help countries address the macroeconomic instability. However, this condition does not fully respect the national sovereignty and somehow approaching the neo-colonialism (Barkin, 2006, p. 96).

Egypt became the permanent member in IMF since 27 of December 1947 (Fund, List of Members, 2017). In 1987, Egypt was in their journey to a huge crisis during Hosni Mubarak regime. The crisis arose due to the low income from foreign exchange and the world oil price has fallen to less than \$10/barrel, which led into an open huge unemployment, low productivity, high rates of inflation, and accumulating public debt (Ibrahim, 1991). Thus, Egypt decided to ask financial assistance program to IMF in order to reduce public expenditure, liberalize private sector, and improve performance financial market.

However, Egypt did not abide by the terms of the agreement, the contract collapsed at the end of 1987. This agreement was canceled after only half of the support fund was dispatched (Nagarajan, 2013). By 1990, Egypt was starting to enter virtual bankruptcy and they kept on asking IMF to approve their debt request. According to IMF conditions, Egypt still failed in fulfilling the requirements and still not eligible to receive some loans.

Though, in 1991 IMF finally approved Egypt financial assistance request, the IMF staff expressed dissatisfaction with the efficacy of lenient agreements, particularly when many of its prescribed preconditions and conditions were ignored from the Article IV Consultations (Momani, 2004). Unfortunately, Egypt still allowed to get the loans even though the credit did not come for free. There was still some several requirements to fulfill, which make Egypt had to conclude a structural reform agreement with IMF. At this time, a serious attempt to implement the program closely monitored by Egypt began (Reuters, 1991).

## **B. RESEARCH QUESTION**

*Why did IMF finally approve the debt request from Egypt in 1987-1991 although it was not qualified to receive the financial aids?*

## **C. THEORITICAL FRAMEWORK**

In order to answer the research question above, the writer decided to use the concept of International Organizations from J. Samuel Barkin and Theory of Liberal Intergovernmentalism by Andrew Moravscik.

### **1. International Organizations Concept**

International organizations (IOs) are voluntary or similar to the international community on the basis of organizations aimed at creating world peace in the governance of international relations. Therefore, most of IOs in the world established by the post of World War II and through the agreement or treaty signed by more than two countries. Also, since all countries decided to unite and realized that they are depending to one and another.

According to J. Samuel Barkin, IOs establishment is supported by several causes such as sovereignty, globalization, power, and interdependency (Barkin, 2006,

p. 3). Sovereignty is the traditional starting point of the theory of international relations, which world politics as a power struggle for sovereign states. Furthermore, international organizations can be regarded as a state institution to promote the power of globalization, or can be considered as the use of state agents to protect themselves from the forces of wider globalization.

Globalization is due to changes in technology, communication and economy, making the country more interdependent. Some analysts of IOs certain that joining the international organization is the most effective ways for countries to deal with interdependence. They are the medium through which states pull together for promoting the best outcomes for everyone in an interdependent world. However, many argued that IOs are not neutral agents of cooperation, but they represent certain countries and mechanisms in which powerful states control less powerful interests (Barkin, 2006, p. 3).

In essence, states in an international organization have the same position and level, namely as a member. According to Articles on the Responsibility of International Organizations (ARIO) in 2011, "Member State", however, is one of the possible positions of the State may be relevant with international organizations (Gaja, 2011). Even when qualifying "Member State", hidden several different identities. ARIO made international organizations into a strong entity that international organization set up for helping, coercing or guiding the Member States to the possibilities (Nijhoff, 2015). At the same time states, acting in the capacity as members, are also empowered by the rule on international responsibility.

Consequently, it is very important to be careful in examining the member states responsibilities in international organizations. First, the position of a Member State can

be closely related to the organization, since the act of complaint can be associated with both subjects at the same time. Second, an organization may make a decision on a member's wrongful act, such as giving assistance, or a commissioned control component of a command and misconduct, or through a binding decision on a member State to achieve each action. Lastly, in some cases Member States intended that they are responsible for the conduct to be associated with the organization (Nijhoff, 2015). Thus, it can be concluded that the international organization also has its own system in regulating its members including in International Monetary Fund.

## **2. Liberal Intergovernmentalism**

In order to answer the research question, this liberal intergovernmentalism theory is the most suited one to be applied. According to Moravcsik, liberal intergovernmentalism has two main basic thinking such as state as an actor and state as the most rational or the most logic in minimalizing negative impacts. First, state as an actor means where state actors achieve their goals through negotiation and bargaining between governments and not through the creation of a centralized authority and enforce political decisions. Second, state as the most rational means actor will calculate the need for alternative courses of action and choose the one that maximized their needs in a situation. Furthermore, agreement for cooperation or to establish international organizations affected by the collective results that depend on the state of rational selection and strategic intergovernmental negotiations (Andrew Moravsik, 2009, p. 68).

This theory explains that international organizations created from more than two countries agreements in order to overcome global issues and also to conduct more interdependency among state members which can be called as an integration of many countries into one unity. However, it also says that a state is the main actor. It is true that these countries coming together and united creating an integration in the world, so

that they could prevent or minimize any damages from serious global issues. This activity could also lead to intervention where a certain country has its own interest towards another country by using their privilege to conduct it.

For this undergraduate thesis case, there was an intervention happened inside the decision making system of IMF. The decision making process in IMF is mainly laid on the Executive Board's hand. The Executive Board members included United States, Japan, Germany, France, United Kingdom, Italy, and Canada were the countries that finally decided the final outcome of each IMF policies (Fund, International Monetary Fund: Annual Report, 1991, p. 15). These countries called as the G-7 members as they are the highest contributor in IMF and also represent 64% of the net global wealth.

The IMF decision is intended to reflect the relative position of its members in the global economy. IMF to continue reforming the governance structure to ensure that it adequately reflects the fundamental changes in the world economy, including a greater role of emerging markets and developing countries play in the global economy (Fund, How the IMF Makes Decision, 2016). The decision making has to go through the voting system in Executive Board, but different way of voting from United Nations. Voting right in IMF is based on how much money the country invest in IMF, can be said as more contribution means more voting right.

The United States came out as the biggest and most influential voting power than any other states (Fund, IMF Members' Quotas and Voting Power, and IMF Board of Governors, 2017). Since Egypt was not able to fulfill the whole conditions to get the SAPs, the Executive Board should not agree on giving Egypt the financial assistance according to Article IV. Yet, the United States with more than 15% voting power agreed on giving the loans with another conditions to follow. It can be seen that the United

States was interfering the decision making with another Executive Member, because the U.S. tried to integrate with Egypt in order to minimize some damages and loss for both part.

Going back to financial aids request by Egypt to IMF, Egypt became a very strategic and important interest to Washington, D.C. The United States wanted to take Egypt's attention which in the end, they are going to allow and support the U.S. to join the Gulf War. Therefore, the United States used their position and voting power in IMF Executive Board to finally approve the financial aids request from Egypt. There were four IMF–Egyptian loan discussions and it was found that two of the four discussions were politically determined (Weisbrot & Johnston, 2016). Two IMF–Egyptian final agreements were facilitated by the United States and Egypt finally got their financial assistance even though they were not fulfilling the whole conditions from Article IV Consultations. Therefore, it can be mentioned that the United States was interfering IMF final decision to Egypt in order to conduct their national interest in joining the Gulf War.

By linking all the theoretical frameworks to answer the research question, it can be explained that International Organizations were established and created from the states treaty to unite and conquer any global issues to come. Also, IOs came with their own ideal rules and regulations to follow by the state members. Thus, all states in IOs considered as member and equal. However, the intergovernmentalism had mentioned that state is the main rational actor, even in IOs. States are the one who conduct any policy making and related businesses in IOs that meant to integrate all country members. The integration that was going on could led into an intervention to several IOs regulations. This happened because each country have their own interest toward



another country member and they will finally had to interfere the system if they simply could not find any other rational and possible way.

#### **D. HYPOTHESIS**

Based on the background and theoretical framework, the following hypothesis can be put forward as IMF decision on approving financial assistance to Egypt in 1987-1991 was influenced by the United States national interest.

#### **E. METHODOLOGY**

The research method that the writer uses in this thesis is explanative research. This undergraduate thesis aims to give more detail explanation about the intervention of a certain country in international organization which in this case is in International Monetary Fund (IMF) that could give tremendous impact to the outcome of IMF's policy based on reality and some valid data. The writer will collect the source or reference information in the form of a book. In addition, a variety of data from the Internet will also be used, since some of the relevant information and thematic data can only be available through online media, such as e-books, journals, electronic news, articles and other literature.

The writer believes that the position of each country in every international organization, specifically in IMF is the same which is as members. Thus, each country should have the same amount of rights and obligation in international organization. This can be said that intervention of a certain country in the process of international organization decision making is simply not ideal. In this thesis, the writer would like to investigate the case of Egypt as a debtor states in IMF from 1987 until 1991. The writer convinced that Egypt was not eligible to get loans from IMF since they could not fulfil the requirement in asking for loans and the United States was the main reason of why IMF finally approved the debt request from Egypt.

## **F. SCOPE OF RESEARCH**

In this research, a politicization that is happened in this specific case will be explained and examined. This undergraduate thesis will mainly discuss about the reason behind IMF final decision in giving financial assistance to Egypt in 1987-1991, while actually Egypt was not fully fulfilled the debt request requirements.

## **G. ORGANIZATON OF WRITING**

In this undergraduate thesis, consists of five chapters and each chapter describe more detail into several sub-Chapters.

CHAPTER I: This chapter include Background, Research Question, Theoretical Framework, Hypothesis, Methodology, Scope of Research, and Organization of Writing.

CHAPTER II: Chapter II will describe about International Monetary Fund (IMF) objectives, origin, and role in the global contribution.

CHAPTER III: Describe about Egypt economic crisis in 1987-1991. The main cause of crisis, and details about their inability to fulfill IMF requirements. Also, how was IMF action in facing Egypt in 1987-1991.

CHAPTER IV: Analyze the main topic of this undergraduate thesis, which is the intervention of the United States behind the final IMF decision making process towards Egypt financial assistance agreements in 1987-1991 using a related theory and concept.

CHAPTER V: This chapter will describe about the final result of the main problem of this topic and come out as conclusion.

## **H. DISCUSSION**

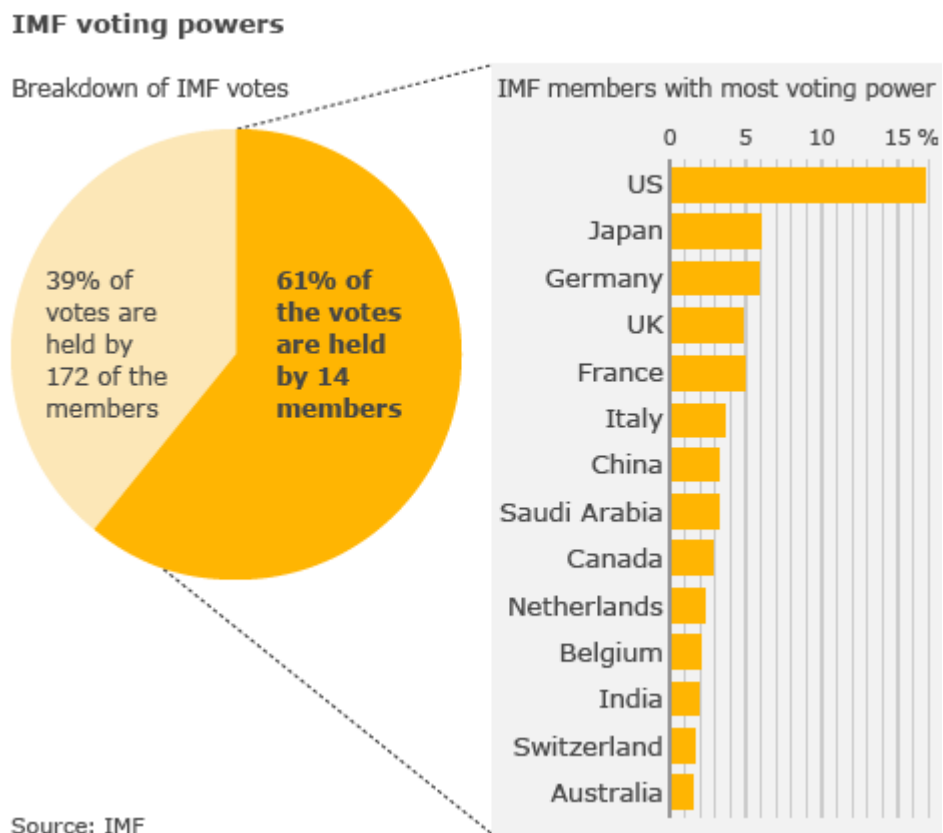
### **1. The United States Role in IMF**

The United States had become one of the most active member and also the founder of international organization, including the IMF itself. Since the early years of the IMF establishment, the United States has been considered to be one of a powerful country in the member list. The measurement of looking at its greatness as a member state in IMF can be seen through the subscription of the member state which can be called as their “investment”. As what the writer had already mentioned in the second chapter related to the country quota, the bigger the country’s investment, the more voting quota they will get. Furthermore, the amount of subscription in the IMF could also determine whether the member state can join the G-20 or even the G-7 in the Executive Board.

Many would have the same opinion in mentioning the American power that plays as the main actor in constructing the objectives of IMF. It is concerned on emphasizing the balance of macroeconomic and structural adjustment, for instance, mirrors the American assurance to stretch out market-based economies to the developing world. In any case, there is a level to which American power reaches out to the IMF’s operational basic leadership. In the specific matter, there is an American capacity to apply impact in the basic leadership process encompassing the production of IMF conditionality understandings.

American policymakers can shape the substance of IMF programs since they appreciate significant power in the IMF. Freely, the IMF mentioned to hold on universalistic criteria when planning contingency agreements for its member state. In its implementation, IMF conditions developed from consenting between several

IMF offices, the legislature applying for help, and high-level authorities, including the national representatives serving on the Fund's Executive Board.



In bargaining, which enables individual governments to apply impact over IMF decision making, happens under the supervision of a formal basic leadership structure that gives the United States more power than other part of the governments. The Executive Board's voting rules will enable the US to give veto in many Fund's choices. Subsequently, no overseeing chief that can settle on a major decision without the freedom from the United States. This formal power enables the United States impacting the haggling procedure encompassing outline system. The American Official Director employs this impact by working with the United States Treasury Division to create American positions on particular contingency understandings and after that meeting with IMF staff and other Executive Board individuals amid the program configuration organize. America's status in the IMF is advantaged.

At the moment when American policymakers can utilize their impact in the IMF to seek after an assortment of objectives, they are actually on the way to pursue this impact in looking for money related business and foreign policy goals. The United States can implement restriction understandings to accomplish American monetary objectives since IMF credits empower in creating nations, which represent most IMF programs, to benefit their debts to American commercial banks. American policymakers can apply their agreements to accomplish the objectives of their foreign approach since the control over IMF credits enables the United States to rebuff its enemies and reward its partners. At last, the United States can utilize IMF stores to be able to build up partners to look after power.

## **2. The United States Interests**

### **2.1. The United States Relationship with Egypt**

Egypt has been a long strategic ally of the United States. The United States and Egypt appreciate a solid and well-disposed relationship in view of sharing common enthusiasm for Middle East peace and soundness, recovering the Egyptian economy and fortifying exchange relations, and advancing territorial security. Throughout the years, Egypt and the United States have cooperated diligently to grow Middle East peace negotiations, arrangements, and the Middle East and North Africa Economic (MENA) Conference (Egypt, n.d.). In multinational activities, the United States also helps the Egyptian military modernization program, and Egypt's part as a supporter of UN peacekeeping operations that consistently strengthen the United States - Egyptian military relationship. Also, the United States keeps on advancing their fame based in Egypt, including the extension of political opportunity and

pluralism, and human rights. Mostly, United States and Egypt have their best relations in economic sector, politics, and military cooperation.

Through the relations between the United States and Egypt, it can be seen that the United States was trying so hard to be allied with Egypt. The effort from the United States in keep on gaining Egyptian military forces during Mubarak regime can be seen through the Foreign Military Financing (FMF) which made the Egyptian military forces can finally purchase their weapons from the United States. The weaponry aids will ease the United States to get their logistic support during the crisis period in the Middle East, the Gulf War 1990-1991. Egypt also persuaded more than half of the Arab League to fight against Iraq (Noorani, 1991). This step will facilitate the American troops and its coalition to protect their oil sources in Saudi Arabia and to liberate Kuwait from the invasion, since this invasion was actually a real hit for the United States since it has many oil sources in Kuwait and concerned about its safety under the invasion of Iraqi troops (Halliday, 1994, p. 7). The Iraqi government could change the whole pricing rates in OPEC which can cause to a large damage and loss globally. Simply to put, the Gulf War or the Iraqi invasion to Kuwait was a complete threatening action for the United States national interest in Persian Gulf region since the United States was keeping the oil flow without any cancelation directly to their country (Halliday, 1994, p. 7).

Then, The United States, Great Britain, France, Italy, Saudi Arabia and Kuwait succeeded in liberating Kuwait with an extreme result for the Iraqi troops. The United States air force-led air campaign that underwent around more than a month. With their superior speed, mobility and firepower, the allied forces overwhelmed the Iraqi forces in a land campaign lasting only 100 hours.

The United States and its partners accomplished their military objective, yet the triumph was inadequate. Saddam Hussein stayed in control, brutally subduing the Kurds in the north and the Shiites in the south, both of whom had risen in defiance after the war. Many oil-well flames, intentionally set by the Iraqis, took until November 1991 to douse. Saddam's administration additionally endeavored to obstruct United Nations monitors who, working as per Security Council resolutions, attempted to find and demolish Iraq's weapons of mass demolition, including atomic offices and gigantic loads of concoction weapons.

During the Gulf War period, there was two coalition standing in order to defend each party, Kuwait coalition and Iraq coalition. Egypt was one of Kuwait allies in this war, alongside with the United States, Saudi Arabia, United Kingdom, France, etc. Egypt sent their 45.000 troops and staffs to Saudi Arabia which will finally fight against the Iraqi military forces and also joining the United Nations and the United States operation, Desert Storm Operation (Ibrahim, WAR IN THE GULF; In Egypt, Public Sentiment Is Shifting in Baghdad's Favor, 1991). From this point, it can be seen that the United States was looking at Egypt as a loyal alliance. Egypt was still defending the Kuwait coalition even though it was actually experiencing a chronic financial problem. Thus, the United States wanted to give Egypt a favor as a present for being such a loyal alliance during this war.

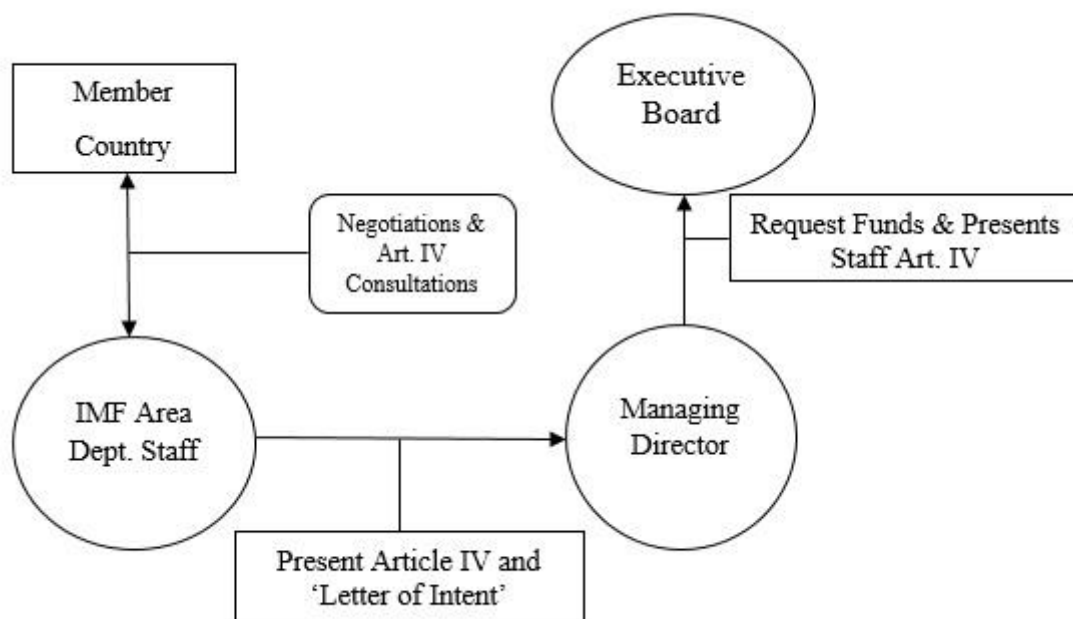
### **3. DECISION MAKING PROCESS**

Before the IMF finally approve their decision in providing financial assistance to Egypt, there must be a procedure to follow based on their Article IV Consultations. This called as decision making process. As the writer already mentioned about the

general or common decision making process procedure in IMF in Chapter II (Figure 2), in this chapter the writer will explain and describe more details for this particular Egypt case. Since the 1987 agreement, Egypt was unable to fulfill the preconditions that was given by IMF in order to get the financial aids. However, in 1991, there were only three out of seven conditions to fill (Table 4), yet it was still making Egypt as an unqualified debtor candidate. Fortunately, Egypt still got its monetary assistance from the IMF fund to finally recover their economic crisis.

According to the graphic of IMF decision making process, the decision making for Egypt financial assistance is not quite usual. There are a couple of steps that had been violated due to the country intervention which driven by its national interest.

Decision Making Process of IMF towards Egypt



Source: (Momani, 2004, p. 888)

In 1987 IMF and Egypt Agreement, the conditions referred to in the pre- and post-IMF staff Article IV Consultations and included in the agreement were only restrict budget deficit, tax



reform, and trade liberalization. Unfortunately, none of these conditions were implemented at the end of the agreement. Thus, when a member country got the preconditions during the negotiation process and could not fill the whole precondition that means the IMF Staff are going to return your request or reject the country's assistance. No wonder, it made the 1987 agreement ended. However, the 1991 IMF and Egypt Agreement went differently than the first one. In 1991, there had been some changes and additional preconditions for Egypt. There were seven preconditions: First, exchange rate unification. Second, restrict budget deficit. Third, decrease interest rates. Fourth, decrease government subsidies. Fifth, applying tax reform. Sixth, privatization. Lastly, investment reforms. Still, only three out of seven preconditions that were finally implemented at the end of the agreement. Those are exchange rate unification, decrease government subsidies, and tax reform. By only implementing three out of seven preconditions, Egypt was not qualify to receive the financial assistance through SAP from the IMF.

During the period of negotiating in 1987 until 1991, the United States was trying to give Egypt a favor by attaining a lenient agreement since it terrified if the political instability could happen to Egypt, especially during Gulf War. In addition, the Egyptian government also concerned if they took a rapid implementation which could cause to another food riots like in 1977. But, the IMF staff contended that steady changes were inadequate and would need to give away to light up the strategies that were regarded to the fundamental for the Egyptian economy (FUND, 2007). The staff was also aware of this as it reported in the 1988 Article IV Consultation that the Egyptian representatives declared the view that the adjustment imagine in the staff scenario was too rapid, and its impact would jeopardize economic growth and social stability (Fund, Selected Decisions of The International Monetary Fund, 2009). The Executive Director of the United States was always being reminded by Egypt that Egypt will always ensure its economy in peace and harmony in the Middle East. It also tried to make the United

States sure that the importance of geopolitical of Egypt's economy balanced with the difficult preconditions by IMF. Through all agreements in 1991, the United States was still trying to interfere the lenient agreement for Egypt. The beginning of the Persian Gulf emergence in August 1990 further elevated the United States worries about the strength of the Egyptian administration. Thus, the Letter of Intent regarding to this financial assistance was directly passed on to the Executive Board and approved by the United States.

## **I. 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 had been reduced, as well as the lesser fees from Suez Canal 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 took them out of another economic crisis for years (Soliman, 2011). Frankly, it was not stand up for too long until in 1986 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 can no longer subsidizing the basic need for their own people.

Due to the urgency for financial assistance, Egypt finally asked to one of the biggest international organization which work 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 who is in need of an extra financial support that called Structural Adjustment Program

(SAP) (Easterly, 2003). Nevertheless, the SAP that has been provided by the IMF is for all state members who is 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 offer to Egypt several preconditions for its country to follow before finally considered as a qualified debtor state. Unfortunately, Egypt was not able to follow and do the whole preconditions agreement, which made the 1987 agreement comes 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 who 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 (Fund, Articles of Agreement of the International Monetary Fund, 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, n.d.). It started from the oil field fights between both countries and Iraq due debt to Kuwait. The Middle East had been split into two coalition, 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 will be very unfortunately for it, since the United States also has 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.

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