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12 MORE AL-KHOSOUS SUSPECTS
A judge referred 12 more to court for their alleged involvement in sectarian violence in Al-Khosous last month

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Presidency denies negotiations with kidnappers

NO MILITARY OPERATIONS APPROVED YET AND ALL OPTIONS ARE BEING
CONSIDERED, SAYS PRESIDENTIAL SPOKESPERSON



An military truck carries armoured personnel carriers to be deployed in Al-Arish, in the northern region of Sinai

By Ahmed Aboul Enein

The presidency expressed outrage at the video released by the Sinai kidnappers with spokesperson Omar Amer calling it "appalling" and promising a decisive response at a Monday press conference.

"We have not negotiated and refuse the very idea. However, all options are available and we are considering several alternatives," Amer told journalists, adding that President Mohamed Morsi's priority right now was the safe release of the seven kid-

napped soldiers.

Amer added that Sinai sheikhs and tribal elders were participating in finding a solution to the crisis and that the presidency is holding dialogues continuing to hold dialogues with them.

He said that the presidency understood that the soldiers blocking the Rafah Border Crossing were doing so in solidarity with their kidnapped comrades and is taking that into account but at the same time trying to reopen the crossing as soon as possible.

The Karam Abu Salem crossing was also closed but we managed to convince those blocking it to reopen it and we hope to do the same with the Rafah crossing," said Amer.

The spokesperson denied any rift between Morsi and military leaders, asserting that the president was also the supreme commander of the Armed Forces and was in "complete unity" with the military regarding this issue.

When asked to clarify a previous presidency statement that said the president was keen on preserving the lives of the kidnapped soldiers

as well as the kidnappers, Amer said the intention was to convey that the "state is committed to resolving the issue without spilling one drop of Egyptian blood".

Amer said amending the Camp David Accords and Egyptian-Israeli peace treaty had nothing to do with the kidnapping, which is "solely a domestic issue" and denied that the kidnapping would affect Egypt's chances of securing a loan from the International Monetary Fund.

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Turkey pumps \$250m more in its credit line to Egypt

Experts: Good step, but no impact on cash reserves

By Hélyette El-Behary

Turkey will raise its \$1bn credit line to Egypt by \$250m, said Turkish Deputy Prime Minister Ali Babacan on Monday, according to Reuters.

It was expected that Turkey will pay \$1bn to Egypt as part of the former's \$2bn support package agreement. This package was part of an agreement made in 2012 by both countries.

The aim of the agreement is to provide a credit line to import "Turkish capital products" and to implement projects in Egypt in partnership with Turkish companies.

This fund will be executed through Egypt's Central Bank, which will act



Turkish Deputy Prime Minister Ali Babacan announced that Turkey will raise its \$1bn credit line to Egypt by \$250m

as the Egyptian government's representative to Turkey in regards to the aid package.

Credit lines are financial facilities granted by banking institutions in order to provide liquidity to economies suffering from a funding crisis.

"It has no impact on the increase of cash reserves," said Magdy Toulba, an economic expert.

He continued: "Credit lines and deposits have limited time in the Central Bank, and the owner can get them back anytime, which will increase the amount owed to Turkey, worsening the economic crisis."

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Currencies	Buy	Sell
CHF	7.1075	7.6454
USD	6.9819	7.012
EUR	8.9014	9.5267
GBP	10.5188	11.2578
SAR	1.854	1.9264

Egyptian Stock Exchange		
	Closing	Daily Change
EGX 30	5,432.15	-0.35%
EGX 70	448.67	-0.70%
EGX 100	757.21	-0.44%
EGX 20	6,239.93	-0.43%

Commentary

Iris Boutros writes: Egypt-specific risks around dealing with obstacles of government bureaucracies and the inability to make labour adjustments because of the labour law were worth taking, evidenced by the relatively high investment levels in pre-revolutionary Egypt

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Witness protection discussed in Shura Council

A committee in the Shura Council is discussing a draft law that lawyers say is much needed to protect witnesses to crimes

By Hend Kortam

The Shura Council's Committee on Legislative and Constitutional Affairs has discussed on Monday a draft law to protect witnesses to criminal activities.

In addition to witnesses, the law will also protect experts and people who report crimes from any harm that could be carried out against them.

Lawyer Sayeda Qandil from the Front to Defend Egypt's Protesters said that a law to protect witness has been greatly needed in Egypt. She alleged that witnesses to certain crimes are subjected to threats and pressures from the Ministry of Interior.

Lawyer Mohamed Abdel Aziz from the Al-Haqanya Centre for Human Rights said pressures exercised on witnesses are often carried out to get them to change or retract their testimonies. "We do need security," he said.

Qandil said that an eyewitness who knows the identity of the killer of Gaber Salah, commonly known as Jika, can not testify because of

the potential danger. "He could get kidnapped, or a case can be fabricated against him... Most witnesses in cases of killing protesters have had cases fabricated against them," she said.

Regarding the bill being drafted in the Shura Council, Qandil was not optimistic that it will bring about real change. "Even if they issue a hundred pieces of legislation, the state is not enforcing them," she said.

Qandil added that whenever a person says that they are willing to testify in criminal cases, they are subjected to long and draining procedures.

In the discussion in the Shura Council, a representative from the Interior Ministry said the law will contribute to the criminal investigation process because many people refuse to give their testimonies out of fear that doing so would put them in danger.

Earlier in May, Minister of Justice Ahmed Suleiman chaired the first meeting of the National Coordination Committee for Combating Corruption to discuss the draft law which was proposed by his ministry.

Judges' Club holds judicial conference

President of the International Association of Judges arrives in Cairo to participate in conference



IAJ judge Gerhard Reissner at the press conference on safeguarding the independence of the Egyptian judiciary. The conference was held in cooperation with the International Association of Judges.

By Nouran El-Behary

The Judges' Club, in collaboration with the International Association of Judges (IAJ), hosted the International Conference for Safeguarding the Independence of the Egyptian Judiciary on Monday.

President of the IAJ judge Gerhard Reissner arrived in Cairo late on Sunday, where he was received at the airport by Judges' Club Chairman Ahmed Al-Zend.

The one-day conference was held to discuss measures to safeguard the Egyptian judiciary against infringement by other state institutions, reported state-run news agency MENA.

Heads and members from judicial authorities, judges' clubs, lawyers, judges, legal and constitutional ex-

perts as well as media and cultural figures attended the conference.

Several campaigns like "Together to hold Al-Zend accountable", "Together to hold Abdel Meguid Mahmoud accountable" and "Together for the full independence of the judiciary" released a statement on Monday criticising the conference as a way of resorting to the international community in Egyptian affairs.

The statement quoted one of the campaign coordinators, Hassan Al-Qabani, as saying Reissner might have been misled by Al-Zend who is affiliated with the former regime. Al-Qabani called on Reissner to listen to more than one side to get a complete picture of the status of the judiciary in Egypt.

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12 more defendants referred to court in Al-Khosous trial

TOTAL NUMBER OF DEFENDANTS INVOLVED IN SECTARIAN VIOLENCE IN AL-KHOSOUS STANDS AT 45

By Joel Gulhane

A judge has referred 12 more people to court for their involvement in the violence in the town of Al-Khosous in April that claimed the lives of seven people and was the spark for further sectarian violence.

Judge Hatem El-Zayat of the Northern Qaliubiya prosecution ordered the referral of 12 people to be tried on charges of assault and inciting panic, according to state-run news agency MENA. Other charges faced by defendants are illegal possession of a weapon, damage to public and private property, possession of Molotov cocktails and murder.

The sectarian violence in Al-Khosous broke out when a child allegedly drew a swastika on the wall of an Al-Azhar-affiliated building. The argument that followed escalated and resulted in a Christian killing a Muslim, prompting some Muslim residents to seek retribution. The violence resulted in the deaths of six Christians and one Muslim.

The funeral for four of the Christians was held at St Mark's Coptic



People inspect the inside of a the destroyed room in a building that was burnt down during a night of sectarian clashes between Christians and Muslims in Al-Khosous

Orthodox Cathedral two days after the violence in Al-Khosous broke out. Following the funeral unidentified men attacked mourners outside the cathedral, which prompted rock

throwing while some eyewitnesses reported gunshots. The police arrived on the scene and fired teargas into the crowd leaving the cathedral and over the walls of the cathedral complex.

Those accused of involvement in the violence at the cathedral will be tried separately from those accused of involvement in the Al-Khosous violence.

Judges' Club holds judicial conference

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"The conference isn't about involving the international community in Egyptian affairs, it's more about exchanging ideas and learning from other countries that respect separation of powers," said constitutional expert Raafat Fouad, who attended the conference.

He added that the conference was to discuss judicial issues and gain experience from other countries that could inspire new solutions to judicial problems in Egypt.

In a statement released on Sunday, the group Judges for Egypt announced their rejection of resorting to international bodies to sort Egyptian affairs. "Those who called for resorting to foreign bodies should be held accountable," the statement read.

President of the Judges' Club Ahmed El-Zend said that he had invited Mohamed Saad Al-Kataty, chairman of Freedom and Justice Party and Younes Makhayoun Head of Al-Nour Salafi Party to attend the conference but they didn't.

"Egypt Judges only resort to God and the people," said El-Zend in response to accusing the Judges' Club of resorting to international bodies.

He added that the Egyptian Judiciary will not give in to the increasing influence of the Muslim Brotherhood.

"We offered all we could to negotiate and we offered laws" he said, adding that the amendments presented to the Shura Council cannot be described as law and those who drafted it know nothing about Egypt.

El-Zend praised the press, saying that it was the cornerstone of development and enlightening the people. He also stated that Egyptian Judges are not troublemakers and will not allow a political current to take over.

Among the attendees were Television Host Gihan Mansour, Journalist Mostafa Bakry, Chairman of Egyptian Social Democratic Party Mohamed Aboul Ghar, and Imam of Omar Makram Mosque Mazhar Shahin. Prominent figures like George Ishak, Mortada Mansour, and Former president of the Supreme Constitutional Court Tahani Al-Gabali, whom El-Zend described as the "Iron Woman".

El-Zend had announced earlier this week that he will take the violations against the judiciary to the international level, accusing the legislative and executive authorities of attempting to demolish the independence of the judiciary.

The IAJ is an apolitical, international organisation whose main aim is safeguarding the independence of the judiciary. "Independence is an essential requirement of the judicial function, guaranteeing human rights and freedom," reads IAJ's mission statement.

The judicial, executive and legislative branches of government have been at an impasse since controversial amendments to the Judiciary Law were proposed by Al-Wasat Party members in the Shura Council. The Judges' Club boycotted the "Justice Conference", which was called for by President Mohamed Morsi to solve the crisis, after the council insisted on discussing the amendments.

El-Sunni case postponed to 18 June

Defence claims officer accused of killing protesters during the revolution was defending himself and his police station



Mohamed El-Sunni during his trial at the North Cairo Court in Abbaseya on Monday

By Nouran El-Behairy

North Cairo Court in Abbaseya has postponed the trial of Mohamed Ibrahim Abdel Moneim, commonly known as Mohamed El-Sunni, to 18 June in order to summon relevant witnesses. The court also ordered on Monday that he remain in detention.

El-Sunni, a police officer at Al-Zawya Al-Hamra police station, was sentenced to 10 years in a maximum security prison for killing a protester during the 25 January revolution.

He later appealed the sentence and a court ordered his retrial.

El-Sunni is already serving prison

time for other charges; he was sentenced to life in absentia for participating in the killing of 18 protesters and injuring three others on 28 January 2011, during the 18-day uprising against former President Mubarak. El-Sunni then turned himself in and the sentence was mitigated to five years imprisonment in a maximum security prison.

His lawyer has stated that he was near the entrance of the police station when his colleague, Abdullah Mohamed, was killed by protesters; thus were attempting to enter the station to steal weapons, and thus the defendant was defending himself and

the police station.

He added that El-Sunni had fired shots in the air to disperse the protesters, and did not shoot at them intentionally.

During the trial, El-Sunni asked the judge to let him out of the cage to show him an illustration of both his and the victim's location in the police station, which the judge allowed.

The court listened to witnesses and ordered the summoning of two others who missed the trial on Monday; they were charged a fine of EGP 100 each for their failure to attend, according to state-run Al-Ahram newspaper.

Antiquities minister: UNESCO threatens to declassify heritage sites

By Luiz Sanchez

Minister of Antiquities Ahmed Eissa has accused the United Nations Economic Scientific Cultural Organisation (UNESCO) of threatening to declassify six archaeological sites in Egypt, Aswat Masriya reported. The minister said UNESCO's threat was made because there is a lack of experts in Egypt managing the sites.

Eissa requested additional financial support during a committee meeting on culture, tourism and information at the Shura Council on Monday, asking the Ministry of Finance to raise its budget to help maintain Egyptian antiquities.

The sites under threat, according to Aswat Masriya, include the Great Pyramids of Giza, the Karnak Temple in Luxor, the temples of Abu Simbel, Saint Catherine's Monastery, Saint Mina's Monastery and Islamic Cairo.

Abdel Rahman Aaidi, the chairman of the Central Administration for Egyptian Antiquities at the ministry, was quoted saying the threat to Egypt's heritage sites is "a stain on the conscience of the government" because it shows the government's lack of interest in the sites.

Aaidi also said the Karnak Temple and Saint Mina's Monastery were only recently added due to the risk posed by high levels of groundwater. He continued by saying the sites need restoration and maintenance, which Egypt currently is not able to do.

"The inclusion of Egyptian sites on the World Heritage List means Egypt can benefit from UNESCO's expertise and financing of projects," Aswat Masriya cited Aaidi. "Therefore removing these sites from the list means Egypt will be deprived of these benefits."

The UNESCO threat is said to be based on the lack of commitment by the state to the 1972 World Heritage Convention, signed and ratified by 178 countries including Egypt. As part of the agreement, states that have ratified the convention must exert all efforts to preserve their heritage sites.

UNESCO could not be reached for comment.

Egypt's heritage sites have been plagued by looters and encroachment from local communities. Last month, a protest was held in Dahshur by archaeologists and concerned locals against the encroachment of the community cemetery on the pyramids in the area.

The local cemetery in Dahshur has seen rapid expansion in growth, and has reached the causeway of the Black Pyramid. Archaeologists say the rapid expansion is often used by locals as an excuse to dig for buried artefacts to sell on the black market.

Dahshur is one of seven World Heritage Sites in Egypt.

UNESCO is dedicated to preserving such heritage sites, but in practice it cannot actively intervene as these monuments remain Egyptian property under Egyptian sovereignty.

Trial referrals for UAE detainees imminent

Egyptian ambassador to the UAE visits detained Brotherhood members and says investigations will conclude soon

By Basil El-Dabbah

Egyptians detained in the United Arab Emirates will soon face trial, according to Egyptian ambassador Tamer Mansour.

The ambassador to the UAE met the 14 detainees on Sunday, two months after his first visit to them in March, and was assured that investigations into their charges neared completion, after which they will be referred to trial.

Mansour stated that the Egyptian detainees were in good condition, according to state-owned news agency MENA. He was told by the prisoners that they were able to contact their families during their detention.

The Egyptians were arrested at the end of last year and accused of leading a Muslim Brotherhood cell which posed a threat to the country's security. Brotherhood spokesman Mahmoud Ghazlan confirmed that the arrested were members of the Muslim Brotherhood.

Last month 103 Egyptians held under various charges were released from UAE prisons by order of Emirati President Khalifa bin Zayed. Mansour and the Egyptian Ministry of Foreign Affairs welcomed the decision. However, the detainees accused of posing a threat to the UAE's national security were kept in detention.

Children face investigation by State Security prosecution

Seven minors are detained for more than a month pending investigation

Investigations under the State Security prosecution represent a continuation of policies applied under the former regime, said the Egyptian Coalition on Children's Rights (ECCR).

One of the detained minors, Abdel Rahman Abdel Wadoud, was taken from his house as police "overturned" the house looking for evidence, said his father Mohamed Abdel Wadoud.

Abdel Wadoud and six other minors were arrested on charges of being associated with the Black Bloc group, and have been detained for 32 days pending investigations.

"They were initially detained for

15 days, then their detention was renewed another 15 days, and now they are beginning their third 15-day detention period," said Abdel Wadoud's father, who has managed to visit his son at the Al-Marg Juvenile Penitentiary on a weekly basis since he was first arrested.

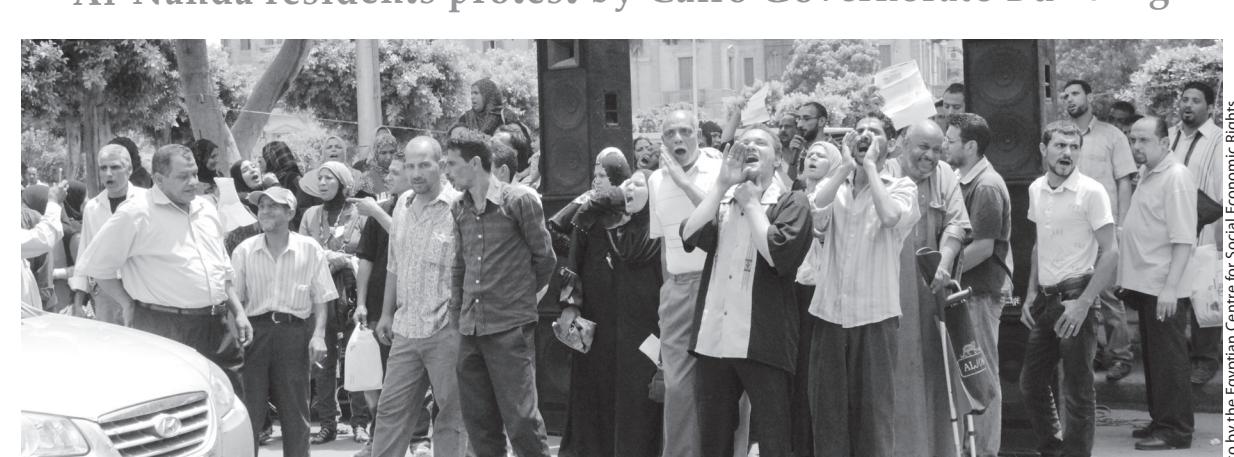
"We have constantly asked to see evidence or a list of charges, but they won't tell us anything," he added.

"They won't tell me what they think my son has done."

The other six detainees are Islam Fouly, Yousef Ali, Abdel Rahman Mohsen, Mohamed Adel, Abdel Rahman Selim, and Salah El-Din Ismail.

The underage detainees, who have been detained since 19 April, are scheduled to remain in detention for another two weeks before the prosecution decides whether to continue their detention or release them.

Al-Nahda residents protest by Cairo Governorate Building



Residents of the Al-Nahda slums in Madinet Al-Salam held a press conference during a protest outside the Cairo Governorate Building on Monday. The residents demanded an accelerated handover of residential units to them and the introduction of utilities to the area in order to make it suitable for living. They also demanded that investigations into reports of financial corruption, which they filed, be carried out. Trouble started in Al-Nahda on 30 March, and residents claim the police raided Madinet Al-Salam over two weeks ago in retaliation for the murder of a policeman at the hands of a drug dealer, leaving some of their houses burned. Residents held a protest outside the governorate building in mid-April demanding alternative housing.

Photo by the Egyptian Centre for Social Economic Rights

Reactions to Sinai soldiers kidnapping crisis

EIPR: THE CRISIS IN SINAI HAS ROOTS THAT SHOULD BE TREATED

By Nourhan Dakrouy

Several political and social figures and organisations are tracing back the crisis of seven soldiers kidnapped in North Sinai last Thursday to years of segregation and injustice faced by residents of the peninsula.

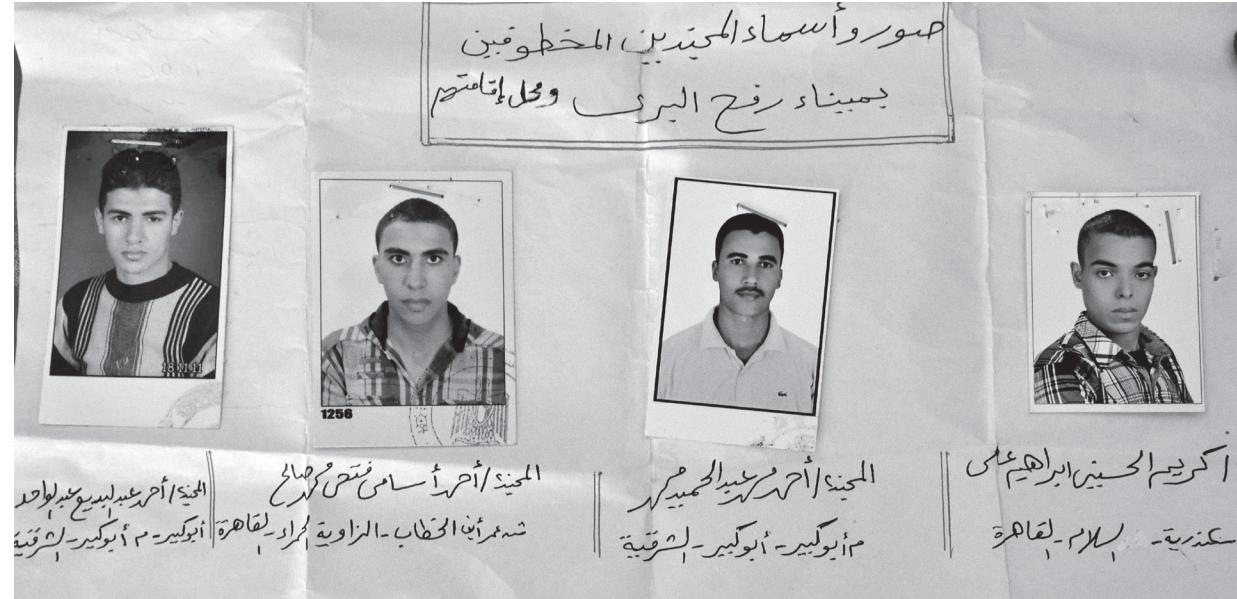
TV presenter Hamdy Kandil said that President Mohamed Morsi is responsible for the crisis in Sinai. Some of the reasons for this that he cited included the president's release of a number of terrorists from prisons after he took office and that he announced a few days ago that he wanted to protect the kidnapped soldiers and their kidnappers.

In addition, Morsi didn't take action after soldiers were killed during Ramadan in Sinai, and to this day no efforts have been made to find out who the perpetrators are and arrest them, Kandil claimed.

He added that Operation Eagle, which targeted militant groups in Sinai, was fruitless.

Al-Tayar Al-Sha'aby (Popular Current) issued a statement on Monday, echoing Kandil's opinion regarding the Sinai operation.

The statement said that the security institutions should move fast to set the kidnapped soldiers free, who are, as seen on the video, being treated



A picture shows the portraits and names of four out of seven Egyptian security forces kidnapped by gunmen in the Sinai during a demonstration calling for their release near the gate of the Rafah crossing border between Egypt and the Gaza Strip

as prisoners of war.

The Grand Mufti stated that Dar Al-ifta disapproves the circulation of the video of the kidnapped soldiers.

Abdel Karim also called for the immediate release of the soldiers without any preconditions explaining that the way they are being treated is unacceptable and that Islam condemns it.

He added that there's a need to establish and put into action systems to examine and treat issues concerning Sinai.

Other political figures and parties agreed the crisis in Sinai has older "roots that should be treated first", said the Egyptian Initiative for Personal Rights (EIPR) in a statement.

The statement, which was signed by seven Egyptian human rights groups, said that the solution should not only include an intervention by security forces, but also ways to provide the people of Sinai with solutions to regional problems.

According to Ahmed Mawlan, the Salafi Al-Shaab Party spokesperson, Sinai residents have been facing injustice and segregation since the rule of ousted president Hosni Mubarak.

"In order to prevent such incidents from happening, a dialogue with the people of Sinai should be initiated," Mawlan said, adding that their rights and demands should be addressed if they are legitimate.

"The problem in Sinai is a political and social problem, not only that of the kidnapped soldiers," said Ahmed Hawary, a member of the Al-Dostour Party and National Salvation Front.

Hawary said that an oversight committee should be established to look into the reasons for the detention of the people the kidnappers are calling to be released.

He claimed that some people in Sinai have been arrested unjustly or with a lack of evidence.

Hawary added it is not only individuals who get arrested, but sometimes entire Bedouin tribes.

On the other hand, Yasser Abdel Moneim, media coordinator of the Salafi Al-Watan Party, said that the government should not negotiate with the kidnappers and that the army and the Ministry of Interior should have interfered from the start of the crisis.

Sinai CSF camp attacked by unidentified gunmen

By Nasser Al-Azazy

A group of unidentified gunmen attacked a Central Security Forces camp with automatic weapons early on Monday morning.

A source from the North Sinai Security Directorate confirmed that the camp, near the town of Rafah, was attacked. The source said that there were no fatalities or injuries as a result of the attack. Local residents said they heard gunfire exchanged between the security forces and the attackers.

Twenty-six armoured personnel carriers were deployed in the northern Sinai region following the attack in order to strengthen security in the area, reported AFP.

Sinai is currently on high alert due to the on-going hostage situation in the region. Seven security officers were kidnapped last Thursday. On Sunday the kidnappers released a video showing the kidnapped men blindfolded. Each man identified himself and one relayed the demands of the hostage takers. They demanded the release of Sinai political prisoners, including Sheikh Hamada Abou Sheita, who was arrested in September 2012 after he was sentenced to death in absentia on charges of attacking security forces.

Additional reporting by Joel Gulhane

Presidency denies negotiations with kidnappers

Continued from page 1

Unidentified gunmen kidnapped seven off-duty security personnel on Thursday; six of them belong to different sections of the Ministry of Interior and one of the detainees is a military volunteer non-commissioned officer with the Border Guards.

The kidnappers released a video of the soldiers on Sunday depicting them blindfolded and bound. They had one of them recited the kidnappers' demands, which are the release of Sinai political prisoners. Several families identified the soldiers in the videos as their children.

Morsi on Sunday assured attendees of a national dialogue he had called for that the seven kidnapped soldiers in Sinai would be released and that he had ordered the immediate resolution of the issue.

He called for a national dialogue with political parties and leaders at the presidential palace on Sunday afternoon to discuss the best approach to the crisis. During the dialogue session, he denied rumours of differences between him and the military.

"The prestige of the state is standing and no one can degrade it. All that is being said about differences between me and the military are evil, baseless rumours," Morsi told the attending politicians.

The president refused to call the kidnappers jihadists, instead saying they were criminals.

"We do not negotiate with criminals. These are criminals, not jihadists, and calling them jihadists is nonsense," said Morsi.

He added that current top priorities would include the freeing of the kidnapped conscripts and ensuring that no Sinai civilians are harmed for their proximity to the kidnappers' hiding place.

Morsi said his door was always open for national dialogue with opposition leaders. He then met with the ministers of interior, defence, and the intelligence chief for the third time since the crisis.

Opposition coalition the National Salvation Front, as well as several of its component parties, announced their boycott of the meeting and called on the president to take more serious action.

Hamas increases presence along Egyptian border

By Luiz Sanchez

Hamas has denied it has declared the border area between Egypt and the Gaza Strip a "closed military zone". Hamas' Foreign Affairs spokesperson, Ghazi Hammad, told Daily News Egypt. Rumours had initially surfaced after state-run news agency Al-Ahram said it was announced in the early hours of Monday morning.

Hammad confirmed, however, that Hamas has increased their presence along the border to provide additional security in the area. "We have given more orders, established more control and are exerting more discipline," Hammad said. "We increased the number of troops along the border and the patrols but there is no military zone."

The heightened security comes after the Rafah Border Crossing was closed for a fourth day by security forces after seven security personnel were taken hostage in Sinai by unknown kidnappers.

Al-Ahram reported that tunnels connecting Gaza and Egypt were

already closed for the smuggling of people last Thursday and are now also closed for the smuggling of goods.

Hamas leader Salah Bardawil denied on Sunday any involvement in the kidnapping, adding that Israel is the only party benefiting from the situation.

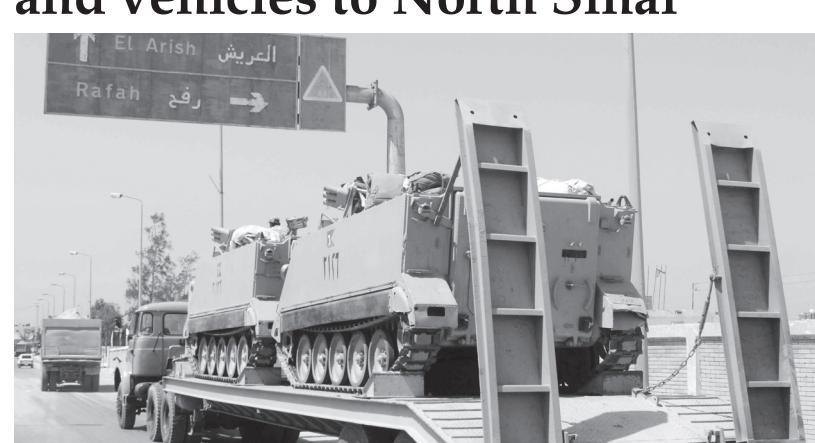
Bardawil stressed no Hamas members have used the tunnels to cross into Egypt and that Hamas does not involve themselves with the domestic affairs of the country.

Bardawil also said on Sunday evening that Egypt did not accuse Hamas of staging the kidnapping, blaming instead "the media" for always trying to blame the group for Egypt's problems.

The Hamas leader expressed regret that the Gaza Strip must pay the price for internal issues in Egypt, Syria and Lebanon, calling on Egypt to work towards reopening the crossing "to help the sick and stranded at the border".

As the Egyptian army prepares to launch an offensive in Sinai called Operation Iron Fist, Bardawil said he is confident the army will "end the current dilemma".

Military and police deploy units and vehicles to North Sinai



An Egyptian military truck carries armoured personnel carriers to be deployed in Al-Arish, northern Sinai

By Ahmed Aboul Enein

The Egyptian military deployed 30 carriers transporting tanks as well as five busses carrying about 250 soldiers from the Second Field Army into North Sinai on Monday.

Second Field Army Commander Major General Ahmed Wasfy himself made his way there alongside other military leaders and operational staff in anticipation of a possible military operation to free the seven kidnapped soldiers.

The military also deployed other vehicles including jeeps carrying rock-

et launchers as well as several Special Forces units.

Meanwhile the Ministry of Interior also deployed vehicles and personnel. Eight Central Security Forces (CSF) personnel units made their way to North Sinai alongside 26 armoured personnel carriers following an attack on a CSF camp by unidentified gunmen on Monday morning.

President spokesman Omar Amer called the military and police reinforcements "standard" in a situation like this and that it did not necessarily mean President Mohamed Morsi would order a military operation.

Profile: Hamada Abou Sheita

By Rana Muhammad Taha



Sheikh Hamada Abou Sheita is on top of the list of names of prisoners the Sinai kidnappers are demanding to be released

Taba attacks and not Sinai Bedouins.

On Wednesday, the Salafi Al-Nour Party submitted an emergency report to Shura Council Speaker Ahmed Fahmy regarding the torture of Abou Sheita, Al-Nour Party member and Shura Council's Human Rights Committee member, Mohamed Al-Azab.

He was accused, alongside 25 alleged members of the Al-Tawhid Wal-Jihad, of attacking an Alexandria Bank branch and Al-Arish Police Station. The attacks left one citizen and five security personnel killed, as reported by state-owned Al-Ahram.

Abou Sheita's wife, Om Qassem, claimed that her husband was innocent of all charges. She said he received a life-in-prison sentence for being a "suspect" in the attack. "If my husband is a jihadist who carried out those attacks, how could it be possible for the police to easily arrest him from his house?"

Abou Sheita was arrested last September after eight security tanks surrounded his home. He was first arrested following terrorist attacks in Taba in 2004 and in Sharm El-Sheikh in 2005. His wife stated that it was former interior minister Habib El-Adly and former head of State Security Hassan Abdel Rahman who should be held accountable for the attack.

Security officials on Thursday denied Abou Sheita's claims of having lost his eyesight in prison due to torture and beatings at the hands of security forces.

"We have been treated unjustly for the past 33 years," Om Qassem said. "When the Sinai Bedouins heard about the torture my husband was subjected to, they took to the streets protesting his mistreatment."

Abou Sheita nevertheless denied any involvement in the kidnapping of the seven security officers. "It's shameful to believe that the Sinai Bedouins would go through the hassle of kidnapping seven soldiers only to call for the freedom of one man," Om Qassem said. "If it were truly the Sinai Bedouins who kidnapped the soldiers, they would have called for the release of all Sinai prisoners without highlighting my husband."

Om Qassem claimed the soldiers' kidnapping overshadowed the news of her husband's torture. She claimed it was a set up operation aimed at diverting attention from the government's mismanagement and the possible outbreak of a new revolution.

"We are in full solidarity with the kidnapped soldiers," she said. "It's painful to see the authorities care so much about the soldiers while disregarding the rights of the Sinai Bedouins."

President Mohamed Morsi assured attendees of a national dialogue he organised on Sunday that the seven kidnapped soldiers in Sinai would be released and that he had ordered an immediate resolution to the situation. Morsi had called for a national dialogue with political parties and leaders at the presidential palace to discuss the best approach to the crisis.

"We do not negotiate with criminals. These are criminals, not jihadists, and calling them jihadists is nonsense," said Morsi.

Police officers strike in solidarity with abducted personnel

Police officers in five police stations in North Sinai announced a sit-in on Monday in solidarity with the off-duty security personnel that were kidnapped last Thursday.

According to Aswat Masriya, members of the Al-Arish Police Station blocked the main gate of the Salam neighbourhood, preventing citizens from entering. Officers also protested in the suburbs of Al-Hosna, Al-Nakhl, Ba'l Al-Abd and Sheikh Zuweid, refusing to work and demanding "swift action" in order to save the abducted soldiers, Aswat Masriya reported.

On Sunday security officers closed Al-Awja Border Crossing into Israel, just south of the Rafah crossing, in solidarity with the kidnapped soldiers.

President Mohamed Morsi has promised to exert all his efforts to free the soldiers, saying all options are being considered.

Egypt faces growing concern regarding its ability to police the Sinai Peninsula. As part of the 1979 Camp David Accords with Israel, Sinai was demilitarised and became difficult to police due to the limited number of security forces. Egypt is allowed to place in the area.

Kidnapping and attacks on security personnel have increased since the onset of the 2011 revolution, as a result of the security vacuum created by the absence of police. In 2012, several attacks on the Egypt-Israeli gas pipeline were reported, and an attack on the Rafah border by gunmen left 16 soldiers dead in August.

The government responded by launching a counter-offensive in Sinai, known as Operation Eagle, increasing the number of troops and military equipment patrolling the desert for gunmen and securing the borders.

Iraq PM to alter security strategy as violence rages

AFP - Prime Minister Nuri al-Maliki said on Monday he will overhaul Iraq's security strategy as a two-day wave of violence killed 72 people including 24 police, bringing the month's death toll from unrest to 349.

"We are about to make changes in the high and middle positions of those responsible for security, and the security strategy," Maliki said at a news conference in Baghdad.

"We will discuss this matter in the cabinet session tomorrow (Tuesday) to take decisions," Maliki said, without providing further details.

"I assure the Iraqi people that they (militants) will not be able to return to us to the sectarian conflict" that killed tens of thousands of people in Iraq in past years, he added.

A car bomb exploded in Shab, a Shi'a area in north Baghdad, at around the time Maliki spoke, killing 12 people and wounding at least 20, officials said -- just the latest in a wave of bombings on Monday.

Two car bombs went off in the main southern port city of Basra, killing 13 people and wounding 48, while a wave of other bombings hit Baghdad, killing at least 11 people and wounding 102.

In Balad, north of the capital, a car bomb exploded near a bus carrying

Iranian pilgrims, killing eight people and wounding at least 15.

Iraq is home to some of the holiest sites in Shi'a Islam and is visited by hundreds of thousands of foreign pilgrims every year, most of them from neighbouring Iran.

Three Sahwa anti-Al-Qaeda fighters were killed and 14 wounded in two separate attacks north of Baghdad, and a roadside bomb in the northern city of Mosul wounded three people.

Monday's violence comes after 24 police were killed overnight.

Policie Lieutenant Colonel Majid al-Jaybawi said police and soldiers carried out a joint raid to free kidnapped police officers in Anbar province, west of Baghdad, but clashes ensued.

Twelve kidnapped policemen were killed and four wounded, although it was not immediately clear if they were caught in crossfire, killed by their abductors, or a combination of the two.

Mohammed Hadi, one of the wounded policemen, told AFP they had been abducted on the highway between Baghdad and Jordan on Saturday.

In Haditha, a town in Anbar province, gunmen attacked a police station, killing eight police, among them two



Iraqis inspect the site of a blast in Samarra, north of Baghdad, on 20 May

to arrest Mohammed Khamis Abu Risha, who is wanted in connection with the killing of five Iraqi soldiers near Ramadi, west of the capital.

But the bid arrest Abu Risha, nephew of a powerful tribal sheikh who is a key supporter of Sunni anti-government protesters in Anbar, sparked clashes with tribesmen in which two of them were killed.

Hundreds of gunmen then gathered in the area of the Anbar Operations Command headquarters near Ramadi, but later withdrew, police said.

Officials also reported kidnappings of people including security forces in Anbar on Saturday, though they gave differing figures for how many were seized.

Tensions are festering between the government of Maliki, a Shi'a, and Sunnis who accuse authorities of marginalising and targeting their community, including through wrongful detentions and accusations of involvement in terrorism.

While the government has made some concessions aimed at placating the protesters and Iraqi Sunnis in general, such as freeing prisoners and raising the salaries of Sunni anti-Al-Qaeda fighters, underlying issues have yet to be addressed.

officers, First Lieutenant Murad al-Hadithi and a doctor said.

And gunmen killed four police and wounded three in an attack on another police station in the town of

Rawa, also in Anbar, said Qais al-Rawi, head of the area's local council.

Gunmen also killed a shop owner in Mosul on Sunday.

The security situation in Anbar,

home to two of the main centres of Sunni anti-government protests that broke out almost five months ago, has deteriorated sharply.

On Saturday, security forces tried

Tunisia PM vows firm action after Islamist unrest

AFP - Tunisia's Islamist premier Ali Larayedh vowed tough action against Ansar Al-Sharia on Monday after bloody clashes between police and members of the radical Salafist group, hinting at a shift in government policy.

Tunisia has been rocked by waves of violence blamed on militant Islamists since its January 2011 revolution, and Larayedh reacted angrily to the latest unrest, which erupted after the authorities banned the group's annual congress.

At least one protester was killed and 15 police hurt, with victim due to be buried later on Monday in Et-tadhamen, the poor Tunis suburb and renowned Salafist stronghold where Sunday's clashes broke out.

Ansar Al-Sharia and a police source said a second protester was also killed, but the interior ministry said his death was not linked to the clashes, while the Salafists insisted neither victim belonged to their movement.

Larayedh said around 200 Salafists were arrested and vowed firm action against the group considered close to Al-Qaeda that he linked for the first time to "terrorism," prompting analysts to see a possible shift in government policy.

"Those proven to have nothing against them will be released, but those found to have been involved in violating the law will be prosecuted,"



Tunisian police fire tear gas as clashes broke out with radical Islamists on 19 May

he told AFP during a visit to Doha.

"Ansar Al-Sharia is an illegal organisation which defies and provokes state authority," Larayedh told Tunisian state television last on Sunday.

"It has ties to and is involved in terrorism," added the former interior minister and stalwart of the ruling Ennahda party.

The moderate Islamist party has been sharply criticised for failing to prevent a surge in attacks by hardline Islamists since the mass uprising that toppled Zine El Abidine Ben Ali, and of being too lenient towards the Salafis.

But faced with the threat of two armed jihadist groups hiding near the Algerian border, it has hardened its stance, banning the Salafis' planned

congress on Sunday in the holy city of Kairouan after their leader threatened "war" against the government.

Analysts say the prime minister's comments late on Sunday may signal a turning point.

"It is a change of language. Larayedh has never before used this term for Ansar... reserving the word terrorist for the groups" which Tunisia's army is hunting on the Algerian border, said Michael Ayari from the International Crisis Group think-tank.

It remains to be seen whether the premier's words will be followed by actions, with Ayari pointing out that dozens of Salafis were arrested after an attack on the US embassy in September and most of

them freed several months later.

"The words count, but we still can't say that the policy has changed, that they mark a point of no return, and that the Ansar Al-Sharia activists will now be arrested for belonging to the movement, for their political identity," he added.

But Ansar Al-Sharia's leader Abu Iyad, a former Al-Qaeda fighter in Afghanistan whose real name is Saifullah Bin Hussein, was defiant in a message posted online Sunday, apparently taped before the day's violence.

"God knows well that I would like to have been with you at the moment when you opened a shining page in the history of our nation. You have shown the entire world that your efforts cannot be defeated despite the persecution of your leaders," he said.

The audio recording was posted on the group's Facebook page.

Abu Iyad has been on the run since September, after the attack by Islamist protesters on the US embassy in Tunis that he is accused of having orchestrated and which left four assailants dead.

Salafis advocate an ultra-conservative brand of Sunni Islam, and they have benefited from the regional security vacuum that accompanied the Arab Spring uprisings.

Ansar Al-Sharia is considered the most radical of the extremist groups that have emerged in Tunisia since the 2011 revolution.

Israel backs Kerry peace moves despite internal debate

AFP - Israel's centre-right government will support US efforts to revive peace talks with the Palestinians, despite hardline positions held by ministers and coalition parties, a prominent member of parliament said on Monday.

"If (Prime Minister Benjamin) Netanyahu goes on the path that US Secretary of State Kerry is encouraging... he will have the full support of... the majority of the parliament," Ofer Shelah, a member of the powerful Yesh Atid party told army radio.

Kerry has been back and forth to the region to push for the resumption of peace talks between Israel and the Palestinians, and is due to return on Thursday for his fourth visit since taking office in February.

"Solving the Israeli-Palestinian dispute within the framework of two states for two peoples is in the highest interest of the state of Israel and in the highest interest of every Israeli government including the present government of which we are a part," Shelah said.

The MP added that Netanyahu would have the "full support of (Finance Minister) Yair Lapid and (Lapid's) Yesh Atid," the second-largest party in the Knesset and a member of the ruling coalition.

The comments came despite opposition from Lapid, in a New York

Times interview published on Sunday, to a settlement freeze and to ceding east Jerusalem to Palestinian rule, two of the Palestinians' top demands.

"Mr Lapid said he would not stop the so-called 'natural expansion' of settlements in the West Bank, nor curtail the financial incentives offered Israelis to move there," the New York Times wrote.

It quoted him as saying that mainly-Arab east Jerusalem, which the Palestinians claim as the capital of their future state, must remain under Israeli sovereignty because "we didn't come here for nothing."

Israel captured east Jerusalem from Jordan in the 1967 Six-Day War and annexed it shortly after, in a move never recognised by the international community.

As well as his post at the treasury, Lapid holds a key place in Netanyahu's coalition government, sitting on the powerful security cabinet.

Like Netanyahu, Lapid wants an interim agreement with temporary borders, a concept repeatedly ruled out by Palestinian president Mahmud Abbas, rather than a fully-fledged peace treaty establishing a Palestinian state.

Another coalition partner, the ultra-nationalist Jewish Home, has pledged to raise the number of Jewish settlers in the occupied West Bank.

Bahrain court jails nine Shi'as over 'terrorist' cell

AFP - A Bahraini court sentenced nine Shi'as to jail terms ranging between 10 and 15 years on Monday after convicting them of forming a "terrorist" group, a judicial source said.

Cleric Ahmed al-Majed and a second defendant were jailed for 15 years, while a third defendant was sentenced to 10 years in prison.

The three were the only defendants to appear in court, as the other six remain at large and were sentenced in absentia to 10 years, the source said.

The first two were convicted of "forming an illegal group that aimed to jeopardise the rule of law and obstruct state institutions from performing their duties... through using terrorism," the source said, quoting the list of charges.

The other seven defendants were accused of joining the group despite knowing of its "terrorist objectives."

All defendants were convicted for "possessing explosives," the source added.

Scores of Shi'as have faced jail terms over accusations of involvement in violence since protests against the regime of the ruling Al-Khalifa Sunni dynasty erupted in February 2011.

Despite heavy-handed crackdown by security forces in mid-March 2011, supported by Saudi-led Gulf troops, protesters were shortly back in the streets, mainly in Shi'a villages, where they frequently clash with police.

At least 80 people have been killed in Bahrain since February 2011, according to the International Federation for Human Rights.

Strategically located just across the Gulf from Iran, Bahrain is home to the US Navy's Fifth Fleet and is also a major offshore financial and services centre for its Arab neighbours in the oil-rich Gulf.

Syrian opposition meets in Madrid over conflict

AFP - Branches of the divided Syrian opposition held talks in Madrid on Monday seeking to harmonise their approach to the country's bloody civil war, their Spanish government hosts said.

The talks included Ahmed Moaz Al-Khatib, who resigned last week as leader of the Syrian National Coalition, plus other members of the coalition and "various movements" of the opposition to Syria's President Bashar Al-Assad, the Spanish foreign ministry said in a statement.

Khatib resigned last week, officially in protest over the failure of the international community to stop the conflict in Syria.

The Syrian Observatory for Human Rights says more than 94,000 people have been killed since an uprising against Assad began in March 2011.

Pressed back by army advances, Syria's opposition is under international pressure to enter into dialogue with Assad's regime.

Among the Madrid meeting's aims is "to facilitate dialogue between the various movements in the Syrian opposition, thereby aiding its cohesion



A woman walks past Lebanese soldiers standing guard with an armoured personnel carrier (APC) in the northern Lebanese city of Tripoli on 20 May

and its future capacity to ensure unity, stability and democracy in Syria," the ministry said.

"The international effort currently under way to this end requires the forming of a strong, unified and diverse opposition capable of representing a common front."

Spain in November recognised the

coalition as the Syrian people's legitimate representative.

Spanish Foreign Minister Jose Manuel Garcia-Margallo said last month that Spain backed the formation of a national unity government in Syria as a way out of the two-year conflict.

The participants made no declarations following Monday's talks but the

ministry said Khatib was scheduled to meet with Garcia-Margallo on Tuesday.

The two would review the situation in Syria and international efforts to settle the conflict, it said.

The United States and Russia have called an international conference, expected in June, to push for a political solution.

Regarding the kidnapped Soldiers

The latest political crisis in Egypt revolves around seven Egyptian soldiers who were allegedly kidnapped by Jihadist groups in the Sinai Peninsula last Thursday. Their kidnappers are demanding a Sinai-based militant detained for almost two years be released from prison. In an epic show of Islamist solidarity, President Mohamed Morsi said that he is concerned for the safety of the kidnapped soldiers and their kidnappers equally. Emad Abdel Ghafour, the president's Salafi aide, said that while he doesn't agree with the actions of the kidnappers, he certainly understands their motivation. Let that sink in for a minute.

In order to show that he is not doing anything about resolving the crisis, Morsi called for a national dialogue session with Egypt's political parties to discuss the kidnapped soldiers' crisis. The natural question is: Why? Did the political parties kidnap them? When terrorists kidnap your soldiers, as the Commander in Chief, you either fight them or negotiate; you don't call for a national dialogue session. If anything, the only "national dialogue" Morsi should call for is with his minister of defence, minister of interior and na-

tional security team. That's it. To complete the fiasco, the Armed Forces flooded the media and newspapers with stories detailing how the army is preparing to free the kidnapped soldiers and how it is sending armoured vehicles and tanks to Sinai, in a similar show to the one they pulled when 16 of our army soldiers were killed in Sinai last August. The result of last year's raid was lots of missiles fired in the desert, without anyone killed or arrested for the murder of our soldiers. It should be noted that our minister of defence was the chief of military intelligence at the time (that's the person responsible for preventing such an attack and finding out who was behind it), and that is the event that gave Morsi the political capital to remove former defence minister Field Marshal Mohamed Tantawi, which led to his ascension to power.

And then came the video of the kidnapped soldiers, where they pleaded for their release to Morsi and Al-Sisi because "they can no longer take the torture", but signalling out Al-Sisi, for "not moving to release his men", as the person most responsible for their continued capture. The army defenders immediately went on the offensive,

claiming that this video is a political plot by the Islamists to remove Al-Sisi. Their evidence: Only one of those soldiers is actually an army soldier, a Border Patrol corporal, while the other six are Central Security Forces (CSF), thus belonging to the minister of interior, whose name was not mentioned as a party in the video, and who is very much in the pocket of the Muslim Brotherhood. Advocates of this theory firmly believe that Morsi and Al-Sisi do not get along, a belief that is not supported by any evidence, while there are very good reasons and precedents for the contrary to be true. The CSF soldiers are originally army recruits brought in by the compulsory draft and assigned to the police. They wouldn't be in the CSF if it wasn't for the military draft, and that makes them the military's moral responsibility. Even if that isn't the case, the one Border Patrol corporal is definitely the military's responsibility.

It makes much more sense that this is simply an attempt to reign in Al-Sisi's reputation wise, and weirdly enough I have no problem with that. Here is why: Al-Sisi has spent the past few months cosying up to movie stars, media personalities, and the likes. He invited them to the least lavish non-state-sponsored

Sinai Day celebration in the history of Egypt (a precedent), where he, as the minister of defence, gave a speech (another precedent) that assured the artists and the Copts, as some of them cried over the Egypt they once knew. A couple of weeks later he hosted an inspection for a tank division, where he invited another group of media personalities and movie superstar Adel Imam, while nobody asked why he is doing this.

The truth is Al-Sisi needs them and their desperate and unrealistic hope that the army will overthrow Morsi. In doing so it will restore the reputation of the army, which was heavily tarnished during and after the revolution. Al-Sisi fully understands that true popularity lies in the hands of this segment of the population (and not the Islamists' sheikhs), and they will hold on to that false hope, and in turn, will continue praising him and defending the military against any criticism out of their fear of the Islamists. In short, those people provide him leverage and support, while costing him nothing and perpetuating the illusion that they need the military to be on their side, while the reality is that the opposite is true. The Armed Forces is on the weak end of this equation and needs the unwavering



MAHMOUD SALEM

soldiers end up dying in such a rescue mission, he will be seen as a "strong man of action" who puts national security first and the political calculations of the executive second. He would become insanely popular, and too strong to ever be removed. It would even heighten public support for "cleaning up Sinai" from Jihadist camps, even if it comes at a high cost of human lives, thus eliminating this thorn in the side of the military forever. If he truly was in danger, this is what he would do, and thus proving once and for all that he is not Morsi's man, but rather Egypt's man and worthy of that support he so seemingly craves from us.

Armies are measured by their ability to fight, not by how many pasta factories they own. If Al-Sisi needs the support of non-Islamists, he needs to earn it, which he so far has not done. If not, then we don't have an army, but rather another armed group in Egypt that gets funded by us, and compulsorily drafts our youth only to stand idly by when they get kidnapped or killed.

Either way, the conclusion is the same: we need a new army.

Mahmoud Salem is a political activist, writer, and social media consultant.

Egypt's investment problems: The Cemex case

The young new Minister of Investment Yehia Hamed recently announced that the government would not sell or privatise any of the public sector companies while in a meeting with the Egyptian Aluminum Company in Naga Hammadi, Qena, according to Egypt's State Information Service on 14 May. He assured workers of public sector companies that they would never be fired, as these firms are what he referred to as "the genuine locomotive of development in Egypt".

Following the ousting of former president Hosni Mubarak, the privatisation of state-owned enterprises (SOEs) during his tenure have been heavily scrutinised, with the legality of a few sales challenged in matters filed before the courts. One case, the Cemex case, is particularly illustrative of some of Egypt's current investment problems. This is not because the privatisation of SOEs is the penultimate issue for investors. But because the case embodies at least two very salient issues for investing in Egypt right now: investors' anxieties over risks and a paradigm shift in doing business in Egypt.

Cemex, a Mexico-based company, is one of the world's largest building materials suppliers and cement producers. In 1999, Cemex bought 90% of the Assiut Cement Company, a SOE at the time, for \$580m in cash and assumed debt, and currently owns a 95.8% stake. On Thursday, 13 September 2012, the Primary Court of Assiut cancelled Cemex's privatisation contract and ordered the company to be returned to state ownership and rehire 2,545 of the original 3,777 employees dismissed after the change in ownership. The court also found Cemex responsible for covering all financial obligations and dues incurred from 1999 until the time of the ruling.

For Cemex, the court's ruling was more problematic than just the Assiut Cement Company. On 14 September 2012, Cemex was scheduled to complete a \$6.2bn refinancing agreement with over 55 banks and institutions globally. The Assiut court's ruling halted the scheduled signing. At that moment, not only was Cemex legally liable for debts for a company it would no longer own with no compensation for investments made, but also its investments in Egypt interrupted a much-needed global refinancing deal. Although Cemex did complete the refinancing agreement on 17 September and until now has retained ownership of the company, damage to investor confidence was done.

Investors in the Egyptian market face greater risks since the start of the 25 January Revolution. Before, the risks of doing business in Egypt were outweighed by opportunities to make higher returns relative to other markets. Egypt-specific risks around dealing with obstacles of government bureaucracies and the inability to make labour adjustments because of the labour law were worth taking, evidenced by the relatively high investment levels in pre-revolutionary Egypt. But now, with lower levels of security, consistent transport disruptions, poor macroeconomic fundamentals, currency instability, and serious questions around contract enforcement, the risk profile investors face is significantly different and returns may be lower as well. And until now, the government has not clearly articulated a vision and strategy on how to allay investors' fears.

The Cemex case also highlights elements of the paradigm shift in doing business in Egypt, particularly with respect to labour. The case was filed after months of repeated labour strikes. Labour protests are very common in post-revolutionary Egypt and have been staged by virtually every type of worker in Egypt: factory employees, transport workers, staff of major ports, doctors, nurses, teachers, the police, etc. Protests among government employees have been particularly frequent since the start of the revolution.

Raising wages and making temporary workers permanent employees have been a popular strategy to resolve labour disputes. Unfortunately, this has serious budgetary ramifications and will likely have a strong impact on market reservation wages, which translate to higher labour costs. Coupled with higher costs and risks of financing and higher energy costs, these significant changes in important factors of productivity are major elements of the paradigm shift in doing business in post-revolutionary Egypt.

Now suppose the Assiut Cement Company had been returned to state ownership and the 2,545 dismissed workers were reinstated. How would this 1999 status quo have met the company's 2012 reality? When Cemex bought its majority stake in the company, it received high praise as a global innovator, a somewhat surprising label for a ce-

ment company from Mexico. It was more profitable than either France's Lafarge or Switzerland's Holcim, its two big international rivals.

Cemex's corporate philosophy involves wholeheartedly embracing new technology and imposing tightly controlled standards worldwide for both its technology and management style. Reduction in labour use in the Assiut Cement Company was a result of leaner and more modern business operations and the greater use of information technology. Cemex introduced significantly more environmentally friendly manufacturing processes. For instance, it partially powers manufacturing operations with alternative fuels such as agricultural waste from a company-owned farm nearby, reducing carbon dioxide emissions. It also increased production capacity from 3.8 million metric tonnes per year to 5.7 million metric tonnes per year with fewer employees.

The Cemex case embodies serious challenges investors currently face in Egypt. With labour, capital, and energy more expensive, and greater risks and uncertainty, are improvements in productivity possible to still meet profit expectations? How would the addition of these 2,545 employees have affected the operations and profitability of the company given the 2012 reality? Whether the higher returns the Egyptian market offers investors relative to other markets still justify investment in Egypt in the current climate is certainly a case-specific issue. But for certain, the decision to invest in post-revolutionary Egypt is a very different than before with a different risk profile and a paradigm shift in doing business.

Moreover, although not the focus here, the Cemex case brings to light

a few other important issues for Egypt and President Mohamed Morsi's cabinet. First, Cemex retained ownership in part because the ruling court did not have jurisdiction over the matter. Questions of the legitimacy of judicial rulings are increasing without clear answers. Second, how the current government will handle serious and legitimate grievances with respect to the selling of state assets by the previous regime is still unclear. The ultimate outcome of the Cemex case has not cleared questions about the legitimacy of the sale. Many of those currently invested in Egypt have concerns about past deals and are unwilling or unable to make further investments without a clear understanding of their exposure. These are also the most likely to invest, given they have experience in the local market.

As a private company, the Assiut Cement Company has recently secured a contract to supply the concrete for the construction of a new tidal barrage and hydroelectric power plant in the Nile River. The EGP 2.4bn project funded by the Egyptian and German governments will have a total power generation of 32 megawatts, is expected to irrigate 1.7 million acres of soil, and will improve navigation on the Nile. Employment generation during construction is estimated to be 6,000 direct and indirect jobs. The project will benefit from Cemex's global technical expertise.

Investment Minister Hamed's recent announcement on SOEs in the context of a high budget deficit means that Egypt needs, now more than ever, to benefit from its 146 SOEs. One has to wonder whether the Assiut Cement Company would have done its part under state ownership in adding value to the "locomotive" of Egypt's development in the way that it will in this project and in the market. This certainly would justify an illegitimate sale of state assets but it does raise questions on how SOEs will fair in doing business in post-revolutionary Egypt and whether the minister of investment has a clear strategy given his strong assurances about their future.

Iris Boutros is an applied economist and strategist. She focuses on balanced growth, investment and decision-making

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Shi'as, Salafis... and sheep

BY RANA ALLAM

Living in a country populated by people both gifted with a strong sense of humour and beset by stark contradictions, following the news can put one in a predicament of whether to laugh out loud or shed bloody tears. I thought this week I would like to recap on some dark comedy material that hit the news over the past couple of weeks.

A heated debate over Shi'a tourism in Egypt took place in the Shura Council. Salafi MPs attacked Shi'as in a way I have never imagined possible. Their accusations went as far as calling Shi'as a "threat to national security", and alleging that "Iranians use money and women to pursue their goals." According to our Salafi bunch, Shi'ism "is the most corrupt of doctrines". Of course, the Jews had to be included in the insults, claiming that "Iran is more dangerous to the Islamic nation than even the Jews." In some accounts that I have not been able to verify, Salafi MPs stated that "Shi'as are more dangerous to Egypt than naked women" (!!). The funny part is that after these insults, they expect to be able to "convert Egypt's Shi'a minority, bringing them into the Sunni fold" as one of them insisted. Now, our minister of Tourism said he "wants a piece of the pie" of Iranian tourism, and this is how he puts it (!). To calm these raging dogmatic brains, the minister has assured them that "Iranians will be visiting the country under tight security regulations, and they will be barred from visiting Shi'a sights." So you insult them, call them infidels and terrorists, put them under tight security if they visit, and deprive them of the sightseeing they want ... yet you expect a "piece of the pie"? Seriously!

In another news piece, Al-Jamaa Al-Islamiya has demanded their removal from US terror list (FTO), as well as the release of their spiritual leader Omar Abdel Rahman. Abdel Rahman is serving a life sentence in US prisons for his connection with the 1993 World Trade Centre bombing. Another leading figure of the organisation is Abd Al-Zomor, who planned the killing of the Nobel Peace Laureate and late Egyptian President, Anwar El Sadat for brokering peace with Israel. Right after the revolution, Al-Zomor was released from Egyptian prisons, and went on TV to declare that killing Sadat was the right thing to do and that they would do it again. Abd Al-

I shall end the roundup with the greatest joke of all: the infamous sheep that found its way into exam papers. Basically, an English language teacher was referred to questioning by the police for setting an exam question that "insulted" Morsi. The question was to translate from Arabic to English the following quote: "In the animal kingdom, a sheep cannot be king." The teacher insisted that this is part of the curriculum set by the ministry. The backdrop of this accusation is that critics of the current regime (be they average Egyptians or columnists), often refer to Morsi or Muslim Brotherhood supporters as "sheep" for their slavish devotion to their Supreme Guide. Now, of course, the question that remains unanswered, has the word "sheep" in any context become illegal?

This is what the space of this column allows me to cite, but rest assured that the list goes on and on and on... and as a journalist, you lose a bit of your mind every day!

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Pharmacists union predicts shortages of imported medicine to reach 90%

SHORTAGES IN COMING YEAR EXPECTED BECAUSE OF INCREASES IN THE PRICE OF THE DOLLAR

Raga'i Morsi, president of Luxor's Pharmacists Union, said that the shortfall in volume of medicine imported into Egypt over the coming year could reach upwards of 90% of desired levels, due to the continued increase in the price of the US dollar.

He added that the market is already suffering from a 15% decrease in imported medicines used specifically to treat eye and liver diseases.

The sector had seen some improvement over the last few months, with some hard-to-find products making their way into the Egyptian market in large amounts. However he added that the country has continued to suffer from a shortage of 300 separate types of medicine, most of which were used to treat diabetes and diseases of the heart and liver.

He added that the province of Luxor was also suffering from shortages in subsidised children's milk, a crisis he expected to get worse over the coming months.



The Pharmacists Union said that because of the difficulty in obtaining dollars, there could be a severe shortage of imported medicines

Morsi attributed these shortages to the scarcity of foreign currency, particularly damaging for the health sector which relies on the import of medicines and other materials from abroad. Additional increases in the cost of electricity, labor and the production of water have also served to exacerbate the problem.

A number of members of Egypt's Pharmaceuticals Chamber also recently warned that Egypt may soon suffer from shortages of upwards of 2,000 medical and pharmaceutical products. The organisation identified this as the result of recent increases in production costs for a number of products, and the closing down of many of the country's factories and facilities. These officials further warned about the potential for price gouging of medical supplies to increase as the country's foreign currency reserves continue to dry up.

Court postpones Omar Effendi case to 16 June

Iconic department store's sale to Saudi businessman had been invalidated because of unfair sale price

By Nada Badawi

The Supreme Administrative Court postponed on Monday the case regarding the invalid privatisation of department store chain Omar Effendi to 16 June.

An appeal was made to the court's previous ruling which invalidated the sale of 90% of the Omar Effendi shares sold to Saudi businessman Gamil Abd-el Rahman Al-Kanbit.

The department store was sold and privatised in 2006 to Anwal United Trading Company of Saudi Arabia for approximately EGP 504m.

It was reported that former board member Yahya Hussein had agreed to sell the iconic store at EGP 700m, less than the estimated official value assessment.

He was ultimately forced by the Egyptian Ministry of Investment to sign documents approving the sale without knowing the government had sold it for half its estimated value.

Opposition lawyer Hamdy Al Fakharany filed a lawsuit claiming that the privatisation of the chain store was invalid, as it was sold at a quarter of its value.

The quality of the store had been

deteriorating during Mubarak's rule, having seen a string of losses and heavily mounting debt, losing serious ground until it was sold to the Saudi group in 2006.

In December 2010, an acquisition deal by the Arab Investment Development Company (AID) was dropped.

The company was due to buy an 85% stake in the stores, but Anwal failed to pay its financial obligations to the Egyptian Tax Authority, which helped it to seize control of the department store's bank accounts.

The sale of the business drew significant scrutiny and criticism,

owing to its iconic status and the accusations surrounding the case that Mubarak had sold it for a below market price.

In May 2011, an investment dispute department of the administrative court annulled the 2006 deal, returning the store's ownership to the public sector.

However, the details of the annulment and Egypt's legal right to repossess Omar Effendi based on these claims still remain vague.

The iconic department store was originally established in 1856 and nationalised in 1957.

Turkey pumps \$250m more in its credit line to Egypt

Continued from page 1

Toulba emphasised that the government's recent obsession with credit deposit deals is only a band-aid, not actually solving Egypt's economic problems.

Another economic expert, Karim Helal, said that the credit line will not make a noticeable improvement in cash reserves, "but it's a positive move".

He continued: "We have other big projects to complete in order to increase our cash reserves. We can't just focus all our attention on the Turkey deal and forget other essential projects."

Helal added: "We need to finish the \$4.8bn International Monetary Fund

loan deal and monitor the government's economic reform programme, making sure it comes into effect."

Both economic experts agreed the additional \$250m from Turkey is only sending a political message, rather than an economic one. "Turkey is simply saying 'we are with you guys,'" said Helal.

However Salah El-Din Fahmy, head of the Department of Economics at the Faculty of Commerce at Al-Azhar University, told state-owned Al-Ahram that raising the line of credit aims to maintain the rate incoming cash reserves to Egypt.

Foreign currency reserves surged by \$1bn last month, reaching a total of \$14.426 bn.

Disapproval over increased taxes on bank loan loss provisions

Banking figures dissatisfied with Shura Council's decision to raise taxes on loan loss provisions, likely to affect investments

By Nada Badawi

Banking officials voiced their disapproval over the recent decision by the Shura Council to increase taxes on bank's loan loss provisions.

Loan loss provisions are expenses set by banks to cover estimated losses on loans due to defaults and nonpayment.

The decision, originally proposed by a Freedom and Justice Party member of the Shura Council, will cancel the tax deductibility granted to 80% of loan loss provisions held by Egyptian banks.

The move was heavily criticised by banking figures who called for the decision to be rescinded as it will greatly affect the flow of investments into the country.

The combined total of the provi-

sions in the Egyptian banking system exceeded some EGP 57bn.

Finance Minister Fayed Abdel Moniem is expected to meet with representatives from the banking sector to discuss their concerns regarding the decision.

The amendments are to be discussed after they're submitted to the legislature for debate.

The Shura Council has also approved a new tax scheme last week in which all companies would be taxed at a unified rate of 25%, compared to an old law that charged those earning less than EGP 10m per year at only 20%.

A new income tax law was also approved last week to increase taxes paid by the wealthy and reduce those with lower incomes.

Govt pays EGP 2.6bn in medical bills

Cost of government-funded medical treatment for Egyptians living at home and abroad totals EGP 2.6bn in 2012



Costs for Egyptians receiving government-funded medical treatment outside the country totalled EGP 3.4m in 2012

The Central Agency for Public Mobilisation and Statistics (CAPMAS) recently said that the number of Egyptians receiving medical treatment both at home and abroad, paid for at the expense of the government, increased 19.2% throughout 2012 reaching 1.4 million patients, compared to 1.2 million in 2011. The total amount paid by the government for medical treatment also increased in 2012, totalling EGP 2.6bn, compared to EGP 2.1bn during 2011, representing a 27.3% increase.

CAPMAS said in a statement released on Monday that the number of Egyptians receiving government-funded medical treatment outside the country, decreased from 46 in 2011 to 42 in 2012, representing an 8.7% decrease. The cost of such treatment also decreased 13.6%, from EGP 4m in 2011 to EGP 3.4m in 2012.

The number of patient escorts travelling outside Egypt decreased to 23 in 2012, at a total cost to the state of EGP 488.6m.

Back to blackouts

Blackouts return to Cairo with overloaded summer electric consumption while ministries collaborate on means of rationing

By Hend El-Behary

to be overloaded by around 2,500 megawatts on peak days.

Meanwhile, operations at Egypt's North Cairo Electricity Distribution Company (NCEDC) have been shut down, as workers entered a fifth day of strikes, demanding the release of their 17 arrested colleagues.

The striking workers are threatening to cut off electricity to districts of Cairo supplied by the state-run company, protesting worker Ahmed Adel told state-run Al-Ahram on Friday.

On Monday, the head of the Egyptian Electric Holding Company, called on a number of endowment imams to use their pulpits to boost citizen awareness of the need to eliminate wasteful consumption.

"If we ration 10% of electricity consumption, it will provide us with EGP 60m in fuel daily and prevent outages suffered by Egyptians during the summer period," he said.

The source explained that the government organises citizens into clusters based on levels of consumption, providing the basis for its distribution of subsidies. If the consumption exceeds this predefined amount, the subsidy decreases accordingly.

"The electrical load in peak hours has noticeably increased since the beginning of summer, leading to several outages in a number of regions," the country's Electric Utility and Consumer Protection Regulatory Agency (EUCPRA) said in a statement, adding that it "has been careful not to cut power in any region for more than half an hour to an hour".

For the last two years, Cairo has experienced repeated power outages due to fuel shortages. Blackouts are expected to continue during summer 2013 as the national electricity network is estimated

Meanwhile, many have laid the blame at the feet of President Mohamed Morsi, citing his strategy as the main reason for the blackouts.

Outages have occurred in various governorates throughout the country. In Beni Suef on Friday, an hour-long blackout sent residents fleeing the baking temperatures in their homes.

In Gharbeia last month, the governorate's head of electricity, Ahmed El-Meassel, had warned of an upcoming four-hour outage from 8am to 12pm due to maintenance, according to state-run news agency MENA.

Kafra El-Sheikh, Minya, and other governorates followed suit.

Egypt's top companies: the Power 34

Forbes Middle East published its Power 500 list, giving an account of the region's top 500 companies, and Egypt scored 34 times

The companies were chosen according to an in-depth study into companies listed on stock exchanges across the region.

Here are Egypt's winners and their current market value:

1. Telecom Egypt (Region rank: 45): \$3.6bn
2. Commercial International Bank – CIB (Region rank: 50): \$2.8bn
3. National Société Générale – NSGB (Region rank: 70): \$2.3bn
4. TMG Holding (Region rank: 85): \$1.3bn
5. Eastern Tobacco (Region rank: 109): \$724.9m
6. Suez Cement (Region rank: 122): \$585.3m
7. EISewedy Electric (Region rank: 123): \$754.8m
8. GB Auto (Region rank: 132): \$525.6m
9. Sidi Kerir Petrochemicals (Region rank: 137): \$1bn
10. EFG Hermes Holding (Region rank: 142): \$786.4m
11. Credit Agricole Egypt (Region rank: 150): \$501.8m
12. Oriental Weavers (Region rank: 166): \$316.4m
13. Faisal Islamic Bank (Region rank: 194): \$91m
14. Alexandria Cement (Region rank: 195): \$548.2m
15. Six of October Development and Investment (Region rank: 201): \$289.2m
16. Amer Group Holding (Region rank: 229): \$295.3m
17. Delta Sugar (Region rank: 253): \$263.1m
18. Cairo Poultry (Region rank: 261): \$179.1m
19. Sinai Cement (Region rank: 271): \$230.4m
20. Lecico Egypt (Region rank: 303): \$91.6m
21. Egyptian Chemical Industries – Kima (Region rank: 308): \$420.7m
22. Torah Cement (Region rank: 309): \$326.7m
23. Union National Bank Egypt (Region rank: 323): \$95.5m
24. Glaxo Smith Kline (Region rank: 331): \$124.1m
25. Zahraa Maadi Investment and Development (Region rank: 376): \$92.1m
26. Bisco Misr (Region rank: 408): \$61.7m
27. El Nasr Transformers – El Maco (Region rank: 412): \$62.4m
28. El Ez Ez Porcelain – Gemma (Region rank: 430): \$20.7m
29. Misr Chemical Industries (Region rank: 446): \$45.5m
30. Mohandes Insurance (Region rank: 453): \$15.1m
31. Delta Construction and Rebuilding (Region rank: 462): \$22.5m
32. Egyptians for Investment and Urban Development (Region rank: 463): \$63.4m
33. Arab Aluminum (Region rank: 470): \$11.1m
34. Belton Financial Holding (Region rank: 491): \$18m

Source: Egypt Business Directory and Forbes

