

The Bloomberg Editors comment on the Egyptian economy:

The future that Egypt's military has in mind for the country is taking shape. Much of it is discouraging, but if the new transitional government adopts a laser-like focus on reviving the economy, it will provide a ray of hope.



After killing more than 50 supporters of Mohamed Mursi, the deposed president, the military on July 8 ordered the arrest of Mohammed Badie, the Muslim Brotherhood's leader, and as many as 650 others. This is a terrible decision that renders absurd the generals' simultaneous calls for national reconciliation.

The military's new road map for elections wisely proposes to make them happen in just six months. However, they are contingent on the passage of constitutional amendments that are to be produced by a committee of lawyers appointed by the military. This will prevent the kind of broad national consensus that sustainable constitutional change demands. Not even the youthful Tamarud protest movement supports this arrangement, let alone the Brotherhood.

The result is that the military's July 2 assumption of power looks increasingly like an old-fashioned coup. With each day, the risk grows that Egypt's Islamists will choose bullets over the ballot box.

So where might one find a bright spot amid the gloom? The new interim prime minister will be Hazem El-Beblawi, a respected economist and former finance minister. With El-Beblawi, Egypt has the chance to have a broadly based, technocratic cabinet, run by a prime minister whose preoccupation will be repairing the country's economy.

It is hard to overstate the importance of this mission. Economic problems are what motivated Egyptians to revolt against President Hosni Mubarak in 2011. Mursi's great mistake was to ignore the economy, focusing instead on consolidating power and using cash injections from Qatar and Turkey to buy time. During his single year in office, he allowed unemployment to soar to more than 13 percent, from 9 percent before the fall of Mubarak.

The interim government would be smart to quickly take the steps Mursi failed to put in place. This means embracing reforms that the International Monetary Fund requires as a condition for releasing \$4.8 billion in aid, such as increasing the sales tax to 12.5 percent from 10 percent and introducing smart cards for fuel purchases, which would give the government the data it needs to figure out where the country's enormous energy subsidies are going so that they can be lowered. To soften the impact of the reduced subsidies, the government would need to develop a cash-based social safety net for Egypt's poorest.

Once these reforms are in place, the World Bank is expected to release \$2 billion more; the European Union, the U.S. and private foreign investors would probably follow suit. Only a revival of investment can produce the growth and jobs that will get protesters off Egypt's streets.

Egypt is not without support. This week, Saudi Arabia, United Arab Emirates and Kuwait together pledged \$12 billion to give the country some breathing room. The next six months may offer the best chance Egypt has to renew its economy. Of course, the country also needs political stability, which requires that the Muslim Brotherhood be coaxed back to the table. But this simple fact can't be lost: A growing economy that produces jobs is the prerequisite for any lasting solution to Egypt's troubles.