INVESTING IN AUTHORITARIANISM: SAUDI ARABIA AND THE UAE'S FDI INFLOWS INTO EGYPT UNDER SISI

A THESIS SUBMITTED TO
THE GRADUATE SCHOOL OF SOCIAL SCIENCES
OF
MIDDLE EAST TECHNICAL UNIVERSITY

BY

ÖMER NAİM KÜÇÜK

IN PARTIAL FULFILLMENT OF THE REQUIREMENTS
FOR
THE DEGREE OF DOCTOR OF PHILOSOPHY
IN
THE DEPARTMENT OF INTERNATIONAL RELATIONS

MAY 2024

Approval of the thesis:

**INVESTING IN AUTHORITARIANISM:
SAUDI ARABIA AND THE UAE'S FDI INFLOWS INTO EGYPT UNDER SISI**

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ABSTRACT

INVESTING IN AUTHORITARIANISM: SAUDI ARABIA AND THE UAE'S FDI INFLOWS INTO EGYPT UNDER SISI

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May 2024, 261 pages

The study investigates the role of Foreign Direct Investment (FDI) in bolstering authoritarian resilience in host countries, focusing on investment inflows of Saudi Arabia and the United Arab Emirates (UAE) into Egypt from the early 2000s to 2023. Utilizing a mixed-method research design that combines insights from quantitative and qualitative analyses, the research suggests that FDI inflows can reinforce authoritarian regimes by enhancing the financial resources available to authoritarian incumbents and solidifying strategic alliances among political leaders and influential elites. It also identifies the political motivations of investor nations to support host regimes as a critical external factor influencing this dynamic. The findings suggest that during President Abdel Fattah El-Sisi's rule, Saudi and Emirati FDI were effective in supporting Egypt's authoritarian regime, potentially due to substantial investment allocations into domestic firms affiliated with the Egyptian government and the politically connected elite. These transactions appear to have played a role in enhancing the financial resources available to the Sisi government and may have contributed to strengthening the allegiance of the political elite to the regime by potentially increasing the perceived cost of political defection. The study concludes that while FDI may serve as a strategic financial instrument for sustaining authoritarian regimes in host nations, the extent of its impact is predicated on the mobilization of political and economic resources by the investor countries.

Keywords: Foreign Direct Investment, Authoritarian Resilience, Egyptian Politics, Saudi Arabia, United Arab Emirates

ÖZ

OTOKRASİYE YATIRIM: SUUDİ ARABİSTAN VE BAE'NİN SİSİ DÖNEMİNDE MISIR'A DOĞRUDAN YABANCI YATIRIM AKIŞLARI

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May 2024, 261 sayfa

Bu çalışma, 2000'li yılların başından 2023 yılına kadar Suudi Arabistan ve Birleşik Arap Emirlikleri'nin (BAE) Mısır'a yatırım girişlerine odaklanarak, Doğrudan Yabancı Yatırımın (DYY) ev sahibi ülkelerdeki otoriter rejimlerin güçlendirilmesindeki rolünü araştırmaktadır. Nicel ve nitel analizlerden elde edilen içgörüleri birleştiren karma yöntemli bir araştırma tasarımını kullanan araştırma, DYY girişlerinin otoriter iktidarlar için mevcut finansal kaynakları artırarak ve siyasi liderler ile etkili siyasi elitler arasındaki stratejik ittifakları sağlamlaştırarak otoriter rejimleri güçlendirebileceğini öne sürmektedir. Ayrıca çalışma, yatırımcı ülkelerin ev sahibi rejimleri desteklemeye yönelik siyasi motivasyonlarını da bu dinamiği etkileyen kritik bir dış faktör olarak tanımlamaktadır. Bulgular, Cumhurbaşkanı Abdülfettah El-Sisi'nin yönetimi sırasında Suudi Arabistan ve BAE'nin DYY akımlarının Mısır'daki mevcut otoriter rejimini desteklemede etkili olduğunu, bu etkinin de potansiyel olarak Mısır hükümeti ve siyasi olarak bağlantılı elitlerle iştiraki bulunan yerli firmalara yapılan önemli yatırım tahsislerinden kaynaklandığını göstermektedir. Bu iktisadi süreçler, Sisi hükümetinin elindeki mali kaynakları ve siyasi elitlerin liderlere sırt çevirmenin oluşturacağı potansiyel maaliyeti artırarak siyasilerin rejime olan bağlılığının güçlendirilmesine katkıda bulunmuş olabilir.

Çalışma, DYY'nin ev sahibi ülkelerdeki otoriter rejimlerin sürdürülmesi için stratejik bir finansal araç olarak hizmet edebileceği, ancak etkisinin boyutunun yatırımcı ülkeler tarafından siyasi ve ekonomik kaynakların seferber edilmesine bağlı olduğu sonucuna varmaktadır.

Anahtar Kelimeler: Yabancı Doğrudan Yatırım, Otoriter İstikrar, Mısır Politikası, Suudi Arabistan, Birleşik Arap Emirlikleri

In loving memory of my grandparents

ACKNOWLEDGMENTS

I owe heartfelt thanks to certain individuals whose assistance has been instrumental in the completion of this thesis. First and foremost, I would like to express my deepest gratitude to my thesis supervisor, Prof. Dr. Meliha Altunışık, whose unwavering guidance and support have been invaluable throughout every stage of this research journey. Her wisdom and encouragement have been instrumental in navigating the challenges encountered along the way. I am also immensely thankful to my thesis committee members, Prof. Dr. Özlem Tür, Prof. Dr. Özgehan Şenyuva, Prof. Dr. Pınar İpek, and Dr. Seçkin Köstem, for their insightful contributions and constructive feedback, which have significantly enriched the quality of this work.

Special thanks are due to Humboldt University for their generous support during the course of my research. I am particularly grateful to Dr. Martin Nagelschmidt, the head of the Berlin Graduate School of Social Sciences, whose timely assistance has been indispensable in overcoming various hurdles.

Furthermore, I extend my appreciation to the esteemed researchers at the Social Sciences University of Ankara, where I am privileged to work. Prof. Dr. Muhittin Ataman, Prof. Dr. Çetin Önder, Dr. Mustafa Tuğan, Dr. Hatice Çelik, Şule Şahan, Batuhan Parmaksız, Esra Çaylak, Oğulcan Köksal, Yasir Okumuş, Didem İşçi, Yaren Çarıklı, and Dilek Çakır have all provided invaluable support and made significant contributions to the advancement of my research. Special thanks should be spared to my hardworking colleague, Dr. Metin Yücekaya. I felt privileged to spend hours discussing and brainstorming on my research project with him.

Finally, I would like to extend my sincere gratitude to my beloved wife and my colleague, Didem Özay, whose unwavering support, patience, and love have sustained me throughout this journey. Her encouragement has made every challenge more manageable and every triumph more meaningful for me.

This thesis would not have been possible without the support and encouragement of these individuals and institutions. I am deeply grateful for their contributions, and I dedicate this work to them with immense appreciation.

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LIST OF ABBREVIATIONS

ACUD	Administrative Capital for Urban Development
ADIA	Abu Dhabi Investment Authority
ADQ	Abu Dhabi Developmental Holding Company
CART	Classification and Regression Trees
CPA	Corporate Political Action
EEDC	Egypt Economic Development Conference
FDI	Foreign Direct Investment
FED	US Federal Reserve
GAFI	General Authority for Investment and Free Zones
GCC	Gulf Cooperation Council
ICSID	International Centre for the Settlement of Investment Disputes
IMF	International Monetary Fund
IPE	International Political Economy
MCAR	Missing Completely at Random
MENA	Middle East and North Africa
PIF	The Public Investment Fund
PPP	Private Public Partnership
ROA	Return on Assets
SECON	Saudi Egyptian Construction Company
SEIC	Saudi Egyptian Investment Company
SME	Small and Medium Enterprises
SODIC	Sixth Of October For Development Investment Company
UAE	United Arab Emirates
US	United States
USD	United States Dollar

CHAPTER 1

INTRODUCTION

In the 1990s, one of the prominent indicators of accelerating globalization was the incremental amount of Foreign Direct Investment (FDI) transactions between the nations. According to World Bank data, while the FDI inflows constituted merely 1% of the global gross domestic product in 1990, the figure hiked to 4.6% in 2000[1]. As the FDI proved to be a significant and persistent mode of financial interaction between the countries, it garnered considerable academic scrutiny to unveil its economic determinants[2], as well as its political determinants along with the political implications pertinent to the domestic politics in the host nations[3]. This thesis study demonstrates the relevancy of one of the significant political implications of the FDI by delving into the link between FDI inflows and its contribution to the political survival of authoritarian incumbents in the host countries. The main research question in this research follows: Does foreign direct investment contribute to authoritarian resilience in host countries, and if so, what intervening conditions and causal processes operate in the emergence of this effect? The author views addressing this question as a crucial academic undertaking. Making a contribution to the literature that elucidates the political implications associated with foreign direct investment flows between countries could enrich the understanding of scholars and policymakers regarding the political ramifications of this relatively nascent financial flow. Furthermore, discovering the underlying factors and mechanisms that endorse the regime's survival in the host nations is deemed a significant topic in political

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[1] World Bank, "Foreign Direct Investment, Net Inflows (Bop, Current Us$)," (2023).

[2] Hang Bich Phung, "Determinants of Fdi into Developing Countries," *Mark A. Israel '91 Endowed Summer Research Fund in Economics* 4 (2016).

[3] Sonal S. Pandya, "Political Economy of Foreign Direct Investment: Globalized Production in the Twenty-First Century," *Annual Review of Political Science* 19, no. 1 (2016).; Thomas Oatley, *International Political Economy* (Routledge, 2018).; Marina Azzimonti, "The Politics of Fdi Expropriation," *International Economic Review* 59, no. 2 (2018).

research[4]. Authoritarian incumbents' implementation of policies to sustain their political survival may have a substantial impact on every segment of political life, ranging from ferocious conflicts in the international arena[5] to the mundane lives of ordinary citizens[6].

FDI is a relatively novel phenomenon in the international political economy, and uncovering its political implications still requires significant academic scrutiny. Relevant to the research question in the thesis, while the influence of foreign aid disbursements—another kind of financial flows between nations—on the political survival of incumbents in recipient countries has been thoroughly explored by highlighting specific antecedent conditions, intervening factors and potential alternative hypotheses[7], unraveling the connection between foreign direct investment inflows and political survival in host countries still necessitates significant research. Nevertheless, this academic endeavor proved challenging substantially because of FDI's inherently contingent nature on the multiple private and public actors. In contrast to foreign aid, whose disbursement usually involves the cooperation of a restricted number of public actors on the donor and the recipient side, FDI may subsume the business interactions of a vast number of private business actors from the home and host countries. Therefore, unlike foreign aid, where the political motivations are more explicit due to political concessions attached to its allocation[8],

[4] Joseph Wright, Erica Frantz, and Barbara Geddes, "Oil and Autocratic Regime Survival," *British Journal of Political Science* 45, no. 2 (2013).; Bruce Bueno De Mesquita and Alastair Smith, "Leader Survival, Revolutions, and the Nature of Government Finance," *American Journal of Political Science* 54, no. 4 (2010).

[5] Bruce Bueno De Mesquita and Randolph M Siverson, "War and the Survival of Political Leaders: A Comparative Study of Regime Types and Political Accountability," *American Political Science Review* 89, no. 4 (1995).

[6] Jeremy L. Wallace, "Cities, Redistribution, and Authoritarian Regime Survival," *The Journal of Politics* 75, no. 3 (2013).

[7] Julia Bader and Jörg Faust, "Foreign Aid, Democratization, and Autocratic Survival," *International Studies Review* 16, no. 4 (2014).; Faisal Z. Ahmed, "The Perils of Unearned Foreign Income: Aid, Remittances, and Government Survival," *American Political Science Review* 106, no. 1 (2012).; Daniel Yuichi Kono and Gabriella R. Montinola, "Does Foreign Aid Support Autocrats, Democrats, or Both?," *The Journal of Politics* 71, no. 2 (2009).; Axel Dreher et al., "Apples and Dragon Fruits: The Determinants of Aid and Other Forms of State Financing from China to Africa," *International Studies Quarterly* 62, no. 1 (2018).

[8] Nadia Molenaers, Sebastian Dellepiane, and Jörg Faust, "Political Conditionality and Foreign Aid," *World Development* 75 (2015).

the distinctive multi-faceted and profit-oriented nature of the FDI makes it challenging to delineate the political motives of the home states to instrumentalize the FDI for achieving particular foreign policy objectives. Aligned with this complex aspect of foreign direct investment, current studies exploring the relationship between FDI and regime survival often overlook the political motivations of the home countries. Instead, they predominantly concentrate on the domestic aspect of the politics of FDI to account for how incumbents in host countries utilize investment inflows to enhance their political survival prospects[9], neglecting the prominence of international factors. In this context, this study makes a meaningful contribution to the existing research by demonstrating the relevance of the political motivations of the home countries in the examined relationship and indicating their significant intervening effect.

The central thesis of this study posits that the FDI inflows can contribute to bolstering the endurance of regimes in the host country, primarily due to its impact in endorsing budgetary resources of the incumbents at their disposal and enabling cooptation between the political leaders and the ruling political elite. First, the budget-endorsing effect of the FDI suggests that the influx of foreign direct investment furnishes the leader with financial resources, which can be strategically employed for the security of their regime. These resources offer a means for leaders to secure the support of crucial political elites, whose backing is indispensable for the leader to retain power. Consequently, FDI establishes resources that sustain the patronage dynamics between incumbents and elites within authoritarian regimes[10]. Second, FDI may contribute to the regime survival in host countries by triggering the cooptation enabling dynamics between the political elites and the incumbents[11]. In this perspective, FDI can function as a commitment device, fostering an implicit and mutually enforcing agreement between political incumbents and elites in the host

[9] Abel Escribà-Folch, "Foreign Direct Investment and the Risk of Regime Transition in Autocracies," *Democratization* 24, no. 1 (2016).; Tobias Rommel, "Foreign Direct Investment and the Politics of Autocratic Survival" (Phd Dissertation, 2018).; Daehee Bak and Chungshik Moon, "Foreign Direct Investment and Authoritarian Stability," *Comparative Political Studies* 49, no. 14 (2016).

[10] Andrey Tomashevskiy, "Investing in Violence: Foreign Direct Investment and Coups in Authoritarian Regimes," *The Journal of Politics* 79, no. 2 (2017).

[11] Rommel, "Foreign Direct Investment and the Politics of Autocratic Survival."

country[12]. On the one hand, by facilitating business elites' access to lucrative FDI contracts, incumbents can offer valuable political resources in return for sustained support for the political regime. On the other hand, given the critical importance of political elites' support for incumbent political survival, the privileges derived from FDI contracts become enticing and compelling incentives for the elite to sustain their loyalty to the political regime. In this sense, because of the substantial costs associated with elite defection and the uncertainties inherent in the political succession process, FDI may operate as an implicit commitment mechanism between leaders and their winning coalition.

However, a key premise of this thesis study is that the two mechanisms mentioned above are not sufficient to fully elucidate the political implications of foreign direct investment concerning its role in contributing to regime security. The aforementioned puzzle lacks one significant piece, which is the motivation of the home countries to instrumentalize the FDI for securing particular political objectives. Therefore, the argument in this research follows that the strength of the positive link between FDI and its contribution to regime survival in the host countries is contingent upon the political motivations of the home countries from which the FDI inflows originate. Specifically, the study posits that this relationship is more conspicuous when the home countries prioritize the survival of incumbents as a crucial political objective. In other words, the salience of leaders' political survival in the host nations from the political calculations of the home nations acts as a prominent intervening variable. The study emphasizes the significance of the home countries' political motives because FDI inherently constitutes a private flow involving private agents driven by profit-seeking motivations. Therefore, instrumentalization of foreign investment for political objectives requires the mobilization of political resources to coopt and integrate economic interests into the political agenda associated with FDI inflow.

This study delves into the formulated research question by employing Saudi Arabia and UAE-originated foreign direct investment in Egypt as a case study. In one respect, the host country under investigation is Egypt, which occupies a notable place

[12] Bak and Moon, "Foreign Direct Investment and Authoritarian Stability."

among MENA countries due to its geopolitical importance, economic impact, and cultural prominence. But, one particular defining feature of Egypt is the pertinent focus of this study: The resilience of authoritarianism in the country[13]. In terms of the source country for the FDI, Saudi Arabia and the United Arab Emirates (UAE) are selected as the major origin countries under examination in this research. In the first decade of the 21st century, Saudi Arabia and UAE embarked upon a policy of economic diversification, ultimately intended to reduce these countries' dependence on oil exports and make their economies more resilient to fluctuations in oil prices. One of the international reverberations of these diversification strategies have been Saudi Arabia and UAE's growing interest in regional economic integration and direct investments in neighboring economies. This involvement aims to promote sectoral development targets within their domestic economies[14]. As part of this effort, foreign direct investment from Saudi Arabia and the UAE into countries in the region gradually increased[15].

Nonetheless, the main purpose for selecting Saudi Arabia and the UAE as key origin nations is not solely based on the gradual increase in their direct investments in Egypt. It also stems from two shared policy approaches that can be elaborated upon. Firstly, both Saudis and Emiratis have exhibited a growing inclination to utilize state-led investment outflows as a crucial tool in their economic statecraft[16]. The investment activities undertaken by state-owned enterprises and subsidiaries of

[13] Yasmine Farouk, "More Than Money: Post-Mubarak Egypt, Saudi Arabia, and the Gulf," *Gulf Research Center* (2021).

[14] Martin Hvidt, "Economic Diversification in Gcc Countries: Past Record and Future Trends," *RePEc: Research Papers in Economics* (2013).; Asharf Mishrif, *Introduction to Economic Diversification in the Gcc Region* (2017).; Bessma Momani and Matteo Legrenzi, "Shifting Gulf Arab Investments into the Mashreq: Underlying Political Economy Rationales?," *In Shifting Geo-Economic Power of the Gulf* (2016).; Mary Ann Tétreault, *Gulf Arab States' Investment of Oil Revenues* (Routledge, 2016).; Kristian Ulrichsen, *Knowledge-Based Economies in the Gcc* (Oxford University Press, 2012).; Matthew Gray, *The Economy of the Gulf States* (Newcastle upon Tyne: Agenda Publishing., 2018).

[15] Adam Hanieh, *Capitalism and Class in the Gulf Arab States* (Springer, 2016).

[16] J. Braunstein, "Domestic Sources of Twenty-First-Century Geopolitics: Domestic Politics and Sovereign Wealth Funds in Gcc Economies," *New Political Economy* 24, no. 2 (2018); Benjamin J. Cohen, "Sovereign Wealth Funds and National Security: The Great Tradeoff," *International Affairs* 85, no. 4 (2009); Stephan Roll, "A Sovereign Wealth Fund for the Prince: Economic Reforms and Power Consolidation in Saudi Arabia," (SWP Research Paper, 2019); Karen E. Young, *The Economic Statecraft of the Gulf Arab States* (Bloomsbury Publishing, 2022).

sovereign wealth funds from Saudi Arabia and the UAE, with the objective of acquiring controlling stakes in foreign companies[17], coupled with the exclusive participation of Saudi and Emirati leaders in the management of these state-owned business ventures[18], offer plausible indications that these nations perceive investment flows as a strategic financial transaction. Hence, the close interplay of political considerations and economic decisions makes Saudi Arabia and the UAE noteworthy cases for investigating the political implications of their investment in Egypt.

Second, while both Saudi Arabia and the UAE began economic restructuring within the country and established new investment ties with the MENA region, the Arab uprising that erupted in 2011 significantly affected the configuration of these countries' regional security concerns, culminating in a security alliance for countering the rising threats. One source of these emerging threats stemmed from historically deep-rooted political organizations such as the Muslim Brotherhood that challenged the interests of Saudi Arabia and the UAE in the Middle East region and posed a significant threat to the security of these countries' regimes[19]. Following the uprisings, regional and national security perspectives of these countries became more intertwined with their regime security policies. For these nations, regime security evolved beyond a domestic politics matter and became entangled with the regime security of the other incumbents in the region. Importantly, the regime instability in non-GCC Arab countries has emerged as a regime insecurity concern for Saudi Arabia and the UAE[20]. Saudi Arabia and UAE securitized the susceptibility of regional incumbents to popular uprisings and elite defection as a source of regional insecurity. In response, they have devised various policies to bolster regional incumbents and counter threats against the regional political status quo[21].

[17] Milan Babic, Javier Garcia-Bernardo, and Eelke M Heemskerk, "The Rise of Transnational State Capital: State-Led Foreign Investment in the 21st Century," *Review of International Political Economy* 27, no. 3 (2020).

[18] Roll, "A Sovereign Wealth Fund for the Prince: Economic Reforms and Power Consolidation in Saudi Arabia."

[19] Ulrichsen, *Knowledge-Based Economies in the Gcc*.

[20] Eman Ragab, "Beyond Money and Diplomacy: Regional Policies of Saudi Arabia and Uae after the Arab Spring," *International Spectator* 52, no. 2 (2017).

[21] Ibid.

Given this context, the examination of Saudi and Emirati investments in Egypt holds relevance for this study on three fronts. Firstly, it allows for the exploration of how the changing perceptions of regional security by Saudi Arabia and the UAE, coupled with their increased commitments to supporting authoritarian regimes in the region, can offer insights into the intervening effect of home country motivations on FDI's endorsement of political survival in host nations. In other words, as the security of regimes in the region becomes more intertwined with the regional security notions of Saudi Arabia and the UAE, the study investigates how the escalating political motivation of these nations to support regional incumbents moderates the mechanisms governing the impact of FDI on political survival.

Secondly, the case provides additional insights into the political ramifications of FDI in the global south. Despite the accumulating literature on geoeconomics offering valuable perspectives on the nexus between the political and economic implications of FDI, countries in the global south have received comparatively less academic scrutiny than those in North America, Europe, and China[22]. By examining FDI inflows from two crucial GCC countries into one of the prominent non-GCC Arab nations, the study endeavors to contribute to the literature on the political implications of FDI in the global south. Third, the research aims to make a contribution to the Middle East studies literature that particularly delves into the political economy of the region. Saudi Arabia and the UAE's investments in the Middle East represent a contemporary phenomenon, sparking academic interest among social scientists studying the region[23]. With this study, the author aims to contribute another piece to this academic body of work and initiate a new discussion, particularly focusing on the intertwined geopolitical and geoeconomics implications of foreign direct investment.

[22] Milan Babić, "State Capital in a Geoeconomic World: Mapping State-Led Foreign Investment in the Global Political Economy," *Review of International Political Economy* 30, no. 1 (2021).; Robert D. Blackwill and Jennifer M. Harris, *War by Other Means* (Harvard University Press, 2016).

[23] Karen E. Young, "A New Politics of Gcc Economic Statecraft: The Case of Uae Aid and Financial Intervention in Egypt," *The Journal of Arabian Studies* 7, no. 1 (2017).; Farouk, "More Than Money: Post-Mubarak Egypt, Saudi Arabia, and the Gulf."; Mehran Kamrava, *The Political Economy of Rentierism in the Persian Gulf* (Oxford University Press, 2012).; Tétreault, *Gulf Arab States' Investment of Oil Revenues*.; Adam Hanieh, *Money, Markets, and Monarchies* (Cambridge University Press, 2018).

In order to examine the Saudi and Emirati investments in Egypt in accordance with the broad research goals, the study employs a mixed-method research design and triangulates the insights derived from both quantitative and qualitative empirical strategies. For quantitative analyses, the study relies on compiled data on the shareholder structure of more than 200 companies listed on the Egyptian Stock Exchange between 2009 and 2022. The dataset includes not only information on the presence of Saudi and Emirati investments but also characteristics of the companies, such as the age of the companies, the count of employees, the prevalence of state ownership, the presence of non-GCC international ownership, the presence of military ownership, and detailed information on the sector of investment. In order to analyze the compiled data, the author leveraged two strategies. First, utilizing the time-series cross-sectional nature of the data, the study employed panel logit fixed effects regression models to empirically test whether Saudi and Emirati FDI inflows contribute to the survival of the political leaders in Egypt through investments' hypothesized budget endorsing and cooptation enabling effects. Second, using this dataset, the study employs a network analysis strategy and presents the relations between the Saudi and Emirati investors, the invested Egyptian companies, and the other shareholders of these companies in a social network. Mapping the shareholder structures of companies invested by Saudi and Emirati business agents can provide two benefits in fulfilling the research objectives of this study. To begin with, network analysis can help identify communities with which Saudi Arabian and Emirati investors are connected[24]. In this regard, community detection would be helpful to see whether Saudi and Emirati actors invest in a tight-knit network or follow a more independent pattern. Additionally, network analysis allows us to examine Saudi and Emirati investors' connections with local investors. After locating such local investors, this study investigates whether these local investors have political connections with the incumbents and may act as proxies in the link between FDI and the political survival of the authoritarian incumbents in the host nations.

In addition to the quantitative methodologies, this thesis study employs distinct strategies within the realm of qualitative methodology. Firstly, the author adopts

[24] Douglas Luke, *A User's Guide to Network Analysis in R* (Springer, 2015).

process tracing as an empirical strategy with the aim of identifying the causal processes pertinent to FDI's endorsement of authoritarian resilience in host countries. Process tracing involves situating the case within a historical context through a detailed account of significant events that could plausibly influence changes in trajectories and trends. Due to its emphasis on the historicization of the events in a particular political and sociological context, process tracing is useful not only in identifying the particular antecedent conditions and intervening factors but also is robust against certain common problems that quantitative methodologies suffer, such as reverse causality, omitted variable bias and selection bias[25]. Secondly, this chapter leverages another data source, focusing on investments originating from Saudi Arabia and the UAE and facilitated by bilateral agreements between 2000 and 2022. Essentially, the study scrutinizes state-sponsored foreign direct investment (FDI) inflows from Saudi Arabia and the UAE into Egypt by analyzing established business ventures and collaborative economic projects resulting from mutual agreements between the governments of Saudi Arabia, the UAE, and Egypt. The qualitative empirical strategies employed in this study bolster the claims of the quantitative analysis by subsuming Saudi and Emirati investors' greenfield investments to the examination and responding to certain alternative hypotheses that are aroused in the quantitative section. Finally, the research resorts to expert interviews and integrates the venerable insights of four experts on the political economy of Egypt and the Middle East into the analysis.

This thesis study is comprised of six main chapters. The second chapter encompasses the literature review section that juxtaposes the factors that political leaders leverage to ensure their political survival and political, social, and economic determinants of the FDI in the host nations. The third chapter includes the theoretical framework guiding this study and the methodology employed. The fourth chapter presents the results of the quantitative analyses of logit regression models and network analysis and discusses their relevance to the research objectives. The fifth chapter presents a tracing of the Saudi and Emirati investments in a historical framework from 2000 to 2023, emphasizing the major trends of investments and critical conjunctures that lead

[25] David Collier, "Understanding Process Tracing," *PS: Political Science & Politics* 44, no. 4 (2011).

to alternations in these prominent trends. The sixth chapter provides a summary of the main findings of the study and concludes by discussing the policy implications of the research and presenting some ideas for future research.

CHAPTER 2

LITERATURE REVIEW

2.1. Introduction

The objective of this thesis study is to investigate whether Foreign Direct Investment (FDI) plays a role in contributing to the political survival of incumbents in authoritarian regimes. The research also seeks to analyze the antecedent conditions and intervening factors that are relevant to this relationship. The significance of this research agenda can be delineated in two key aspects: Firstly, the author perceives the examination of the factors influencing authoritarian survival as a crucial academic pursuit. Considering the remarkable resilience of authoritarian regimes in the contemporary world, understanding the dynamics behind their endurance is essential. This understanding not only helps scholars and policymakers comprehend the forces and conditions that sustain such regimes but also enables anticipation of potential catalysts that may lead to change and democratic transitions. In this regard, identifying the strategies employed by authoritarian leaders and examining the specific political institutions leveraged by them to sustain their rule have been acknowledged as a significant research agenda within the field of comparative political science[26].

Second, in an era marked by increasing interconnectedness of the national economies, the FDI has emerged as a profound financial instrument[27]. As FDI

[26] Elina Sinkkonen, "Dynamic Dictators: Improving the Research Agenda on Autocratization and Authoritarian Resilience," *Democratization* 28, no. 6 (2021).; Bader and Faust, "Foreign Aid, Democratization, and Autocratic Survival."; Jennifer Gandhi and Adam Przeworski, "Authoritarian Institutions and the Survival of Autocrats," *Comparative Political Studies* 40, no. 11 (2007).; Joseph Wright and Abel Escribà□Folch, "Authoritarian Institutions and Regime Survival: Transitions to Democracy and Subsequent Autocracy," *British Journal of Political Science* 42, no. 2 (2011).

[27] Padma Mallampally and Karl P. Sauvant, "Foreign Direct Investment in Developing Countries," *finance and development* 36 (1999).

proved to be a persistent and efficient financial flow between the nations, it prompted scholars from various disciplines to meticulously examine the factors expediting the FDI transactions and unraveling the intertwined nature of political, economic, and sociological factors pertinent to this phenomenon[28]. In this context, this study aimed to enhance scholarly discussions on the political economy of foreign investment by particularly focusing on the role of politics in leveraging FDI transactions.

By examining the connection between FDI inflows and the resilience of authoritarian regimes in host nations, this study primarily seeks to uncover a substantial political implication of this financial resource. However, the study recognizes the intricate nature of FDI, appreciating the prominent interplay among economic, sociological, and political factors that influence the decisions of business actors to invest in foreign markets.

The complexity and multilayered structure of FDI is unsurprising, given the diverse actors involved in foreign investment processes. While FDI primarily involves the movement of capital between two nations—the home country and the host country—its transnational character can be attributed to the significant role of a third actor, namely private business entities. Put differently, private firms constitute one of the important pillars of FDI transactions. These profit-driven firms predominantly shape their investment strategies in foreign markets based on individual economic calculations, though their decisions may be constrained by prevailing political and institutional factors in either the home or host countries.

Hence, this research contends that any theoretical framework aiming to elucidate the political implications of FDI should address how political forces driving the FDI address these economic motivations of the private firms involved in the FDI flows. In other words, a research agenda focusing on the intersection of FDI and politics should consider how political actors integrate economically motivated private firms into an agenda that attributes political objectives to the FDI.

In the context of this study, which particularly focuses on one of the political features of FDI, it requires amalgamating the review of two distinct academic literature to

[28] Nathan M. Jensen, *Nation-States and the Multinational Corporation* (Princeton University Press, 2008).

present a comprehensive picture of the interconnectedness of the political implication of the FDI for authoritarian survival in host countries, alongside FDI's other economic and sociological aspects. Thereby, this literature review section commences by examining the literature on economic, sociological, and political factors that influence private firms' decisions to invest in foreign markets. The focus here is primarily on the pull and push factors that attract foreign firms to invest in developing countries, given the prevalence of authoritarian regimes in these economies. Following this, the study delves into the factors contributing to authoritarian resilience, with a specific emphasis on the role of FDI within the scope of academic literature. The section addresses limitations in existing theories attempting to explain the relationship between FDI and authoritarian resilience. The author also highlights that prevailing theories often neglect both the political motivations of home countries and the necessity of integrating the profit-seeking motives of private firms into an inclusive framework that accounts for the political implications of the FDI. Finally, the author advocates for the modification of prevailing theoretical frameworks to provide a more nuanced and comprehensive understanding of the political instrumentalization of FDI for political survival in authoritarian regimes.

2.2. Determinant of FDI

One of the crucial hallmarks of the final decades of the 20th century was the profound interconnectedness of the national economies. The escalation of global economic interactions became evident through the accelerated international exchange of domestically manufactured goods, leading to an increased significance of international trade in the global gross domestic product[29]. Additionally, domestic markets became increasingly exposed to the growing momentum in the movement of capital, as evidenced by a noticeable surge in global foreign direct investment (FDI) inflows[30]. As direct investment flows between the countries gained prominence as a significant segment of international finance, foreign investors emerged as key

[29] World Bank, "Trade (% of Gdp)," (2019).

[30] "Foreign Direct Investment, Net Inflows (Bop, Current Us$)."

elements of the global production chain, numbering approximately 500,000 by the end of the century[31]. Paralleling the internationalization of the production cycle, the number of corporations assuming a transnational character increased.

At the beginning of the 2000s, FDI transactions between the developed nations outweighed the developing countries[32]. Nevertheless, the total volume of FDI to developing countries has increased incrementally over time[33]. In the 1960s and 1970s, FDI allocated to developing countries was restricted due to protectionist policies adopted along with the import substitute industrialization strategies. As the developing countries opted to switch to the export-oriented industrialization strategy in the 1980s and 1990s, the net FDI outflows increased steadily. Since developing countries have strived to achieve a competitive edge in their exports, they have become more indulgent to foreign investors bringing capital and technological know-how[34]. Furthermore, as the restrictions on the movement of capital eased in the 1970s and 1980s, investors obtained better opportunities to access the capital, facing fewer transaction costs when transferring the capital into host countries for investment in business projects[35]. Finally, after the 2000s, developing countries became more integrated into the global economy, resulting in a notable increase in the share of total FDI allocated to developing countries, rising from 4 percent in 1995 to 27 percent in 2014[36].

The academic literature exploring FDI inflows and outflows in developing countries can be systematically reviewed by categorizing studies based on their economic, political, and sociological emphases. Although these diverse explanations of foreign direct investment may not necessarily be mutually exclusive, categorizing and

[31] Mallampally and Sauvant, "Foreign Direct Investment in Developing Countries."

[32] UNCTAD, "World Investment Report 2023," (World Bank, 2023).

[33] José Ramón Perea and Matthew Stephenson, *Outward Fdi from Developing Countries* (2017).

[34] Russell Mardon, "The State and the Effective Control of Foreign Capital: The Case of South Korea," *World Politics* 43, no. 1 (1990).

[35] Susan Strange, "States, Firms and Diplomacy," *International Affairs* 68, no. 1 (1992).

[36] Perea and Stephenson, *Outward Fdi from Developing Countries*, 102.

examining them according to their dominant perspective is crucial for practical reasons. This literature section further sub-categorizes the reviewed studies based on whether they predominantly focus on the pull factors or push factors of FDI. Pull factors encompass elements that attract foreign investors to invest, such as economic, geographical, political, and sociological factors originating from the host country. Examples include the presence of a large domestic market, investment-friendly policies of the host government, and proximity to rich natural resources[37]. On the other hand, push factors refer to elements that drive investors to invest in other countries due to factors specific to the home country where the investor is located[38].

2.2.1. Economic variables

This sub-category systematically reviews studies focused on comprehending the driving forces behind FDI by specifically examining economic variables categorized as either pull factors or push factors. The primary focus of these studies is on firms with the capacity to invest abroad. The analysis centers on the motivations of these firms, examining factors that influence their decisions to invest internationally. The prevailing assumption in this perspective is that firms are motivated to pursue economic benefits in their business decisions. Therefore, direct investments of the firms would be investigated concerning projected costs and expected benefits of the firms' movement of financial assets to another country[39].

In terms of the pull factors of the FDI, two major themes appear to be the focal points of the studies: Location advantages of the invested country and ownership advantages for investors that emanate from investing abroad. First, location advantages may stem from various intrinsic qualities and features of the targeted country, where foreign investors expect to yield financial and commercial rewards from their investments. Location advantages can be derived from invested countries' proximity to the natural resources, lower cost of factors of production, the

[37] Phung, "Determinants of Fdi into Developing Countries."

[38] Saime Kayam, "Home Market Determinants of Fdi Outflows from Developing and Transition Economies," *RePEc: Research Papers in Economics* (2009).

[39] Oatley, *International Political Economy*.

opportunity for accessing a relatively large domestic market, and firms' desire to bypass particular tariff and non-tariff barriers that are imposed by the host country upon the imports[40]. The efficiency of production in the host country could also be a significant factor that could allure foreign investors. Specific features conducive to an efficient mode of production, such as a meritocratic bureaucracy, robust state capacity, and advanced technological and logistical infrastructure, can create substantial location advantages[41].

Furthermore, the market conditions of the host country may also grant crucial location advantages to foreign firms. In host countries where internal industrial competition is weak, foreign firms may gain a competitive edge and effectively introduce their goods or services in the domestic market[42]. In addition to the goods market, features inherent in the domestic labor market may impact the composition of location advantages. The availability of a skilled and educated domestic labor force may attract foreign investors to the host country[43]. However, it is noteworthy that the skill and competence of the labor force in the host country may not meet the expectations of foreign investors in every case. Some foreign firms may prioritize market conditions dominated by cheap labor over skilled labor, expecting government policies in host countries to implement measures that sustain real labor wages at lower levels. For instance, host governments may commit to suppressing labor movements, thereby signaling to foreign investors that labor costs in their production will be kept low[44].

Investors may find appeal in international firms not only due to their advantageous locations but also due to ownership benefits. Some investors opt against outsourcing

[40] Ibid.

[41] Phung, "Determinants of Fdi into Developing Countries."

[42] Pandya, "Political Economy of Foreign Direct Investment: Globalized Production in the Twenty-First Century."; "Labor Markets and the Demand for Foreign Direct Investment," *International Organization* 64, no. 3 (2010).; Laura Alfaro, "Foreign Direct Investment: Effects, Complementarities, and Promotion," *Partners or creditors* (2014).

[43] Phung, "Determinants of Fdi into Developing Countries."

[44] Shannon Lindsey Blanton and Robert G. Blanton, "What Attracts Foreign Investors? An Examination of Human Rights and Foreign Direct Investment," *The Journal of Politics* 69, no. 1 (2007).

specific production processes to foreign companies. Instead, they may internalize these processes by acquiring a company in a foreign country, avoiding the need to transfer property rights, patent rights, and technology[45]. Furthermore, one perspective on FDI suggests that ownership of specific foreign assets can mitigate resource dependencies that firms are exposed to. Firms, constrained by certain resource dependencies crucial for production, may employ strategies such as mergers and acquisitions, establishing joint ventures, and boards of directors pertinent to alleviate these dependencies[46]. In doing so, firms can reduce other firms' leverage over critical resources required for production and hedge themselves against uncertainties arising from external interdependence in resource provision[47].

When examining the economic motives for the push factors of FDI, scholars gave attention to the evaluation of market conditions and government policies within the home country, as they may influence firms' motivations to invest abroad. Among the market conditions prompting local firms to venture overseas is the crowding-out effect induced by FDI itself. This phenomenon occurs when foreign investors marginalize local firms in the market competition, potentially discouraging them from further investments in the domestic market. The prevalence of foreign firms in the market compels local counterparts to explore alternative markets on the international stage. Put differently, the inflow of FDI emerges as a significant factor driving FDI outflows by displacing domestic firms and encouraging their investment in foreign markets[48].

Apart from the market conditions, the policies of home governments in influencing local firms to invest abroad are noteworthy. To illustrate, the adoption of a stringent

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[45] Nathan M. Jensen, "Democratic Governance and Multinational Corporations: Political Regimes and Inflows of Foreign Direct Investment," *International Organization* 57, no. 3 (2003).

[46] Amy J. Hillman, Michael C. Withers, and Brian Collins, "Resource Dependence Theory: A Review," *Journal of Management* 35, no. 6 (2009).; Johannes M. Drees and Pursey Heugens, "Synthesizing and Extending Resource Dependence Theory: A Meta-Analysis," *ERIM Top-Core Articles* (2012).

[47] Tiziana Casciaro and Mikołaj Jan Piskorski, "Power Imbalance, Mutual Dependence, and Constraint Absorption: A Closer Look at Resource Dependence Theory," *Administrative Science Quarterly* 50, no. 2 (2005).

[48] Saime Kayam and Mehtap Hisarcıklılar, "Determinants of Turkish Fdi Abroad," *Topics in Middle Eastern andNorth African Economies* 11 (2009).

trade policy with numerous restrictions can compel domestic firms to explore investments in foreign countries that maintain more open trade policies. Additionally, if home governments struggle to reduce elevated costs associated with factors of production or implement ineffective monetary policies that fail to control inflation or stabilize exchange rates, this may further encourage local businesses to seek investment opportunities abroad[49].

2.2.2. Sociological Variables

Within this sub-category, scholarly literature delves into the analysis of FDI through the lenses of specific sociological concepts. Notably, international business networks have garnered academic attention, with the assertion that the presence of "horizontal networks" among business professionals in both the home and host countries can significantly boost the flow of bilateral investments[50]. In this perspective, irrespective of government policies, local business individuals across different nations may have already established commercial connections. This network of relationships can exert a bottom-up influence on governments, compelling them to adapt their investment policies to create a more FDI-friendly business environment[51].

In addition to analyzing the business networks and interpersonal relations between the capital owners, some studies embrace a Marxist approach, offering an alternative class-centered sociological perspective to the study of FDI. In this line of thinking, capital flows like FDI are seen as a natural outcome of the globalization of political and economic influence wielded by hierarchically structured capital classes[52]. Furthermore, in this line of thinking, the state is not regarded as an autonomous entity competing against other interest groups in society. Instead, it is conceived as an institution that contributes to capital accumulation for the capitalist class[53].

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[49] Kayam, "Home Market Determinants of Fdi Outflows from Developing and Transition Economies."

[50] Momani and Legrenzi, "Shifting Gulf Arab Investments into the Mashreq: Underlying Political Economy Rationales?," 117.

[51] Ibid.

[52] Christian Henderson, "Gulf Capital and Egypt's Corporate Food System: A Region in the Third Food Regime," *Review of African Political Economy* 46, no. 162 (2019).; Hanieh, *Capitalism and Class in the Gulf Arab States*.

[53] *Money, Markets, and Monarchies*.

Hanieh, one of the crucial scholars who examined the capitalist class formation in the GCC, denotes that we cannot observe a strict division between the state, ruling families, and business circles[54]. He argues that economic rapprochement between the GCC and regional countries should be discussed regarding the "internationalization of Gulf capitalism"[55]. Accordingly, the internationalization of capital is founded upon the three crucial pillars that ensure capital accumulation and consolidate capitalist classes. First, GCC-originated capital became more entangled with the region as GCC's economic relations with the regional countries flourished. Nevertheless, strengthening the economic ties between the GCC and the MENA region does not mean that the economic relations are based on equality and mutual reciprocity. Rather, developing economic ties are asymmetrical and "hierarchically structured"[56]. Saudi Arabia and the United Arab Emirates constitute the core of the economic ties, and other MENA countries are subject to the flow of capital originating from the GCC. Second, capital accumulation in the Gulf is still dependent upon the exploitation of the labor, predominantly migrant workers who are not entitled to citizenship rights. Third, oil revenues are instrumentalized in order to consolidate the power of the political elite and ensure the loyalty of citizens to the ruling monarchs[57]. Thereby, Hannah suggests that these tenets of the GCC's capital should be considered when examining the investments from GCC to regional countries.

Similarly adopting a Marxist perspective, Henderson scrutinizes the regional movement of capital in the agricultural business and interprets Gulf FDI in the regional countries through the lens of class analysis. Much like Hanieh, Henderson does not perceive the state as an autonomous entity but rather views it as a mediator of capital accumulation, facilitating the integration of international and domestic capital holders[58]. He contends that investments originating from the Gulf represent

[54] *Capitalism and Class in the Gulf Arab States*.

[55] Ibid., 2.

[56] Ibid., 2.

[57] Ibid., 60

[58] Henderson, "Gulf Capital and Egypt's Corporate Food System: A Region in the Third Food Regime."

an inevitable expansion of capital, and the class formation in the region embodies a hierarchical structure where the flow of capital from the Gulf to the regional countries is a natural outcome of the vertical integration of capitalist classes in the region[59].

2.2.3. Political Variables

This sub-category reviews the political factors influencing the FDI flows between home and host nations. Similar to economic variables, political variables can serve as both pull factors and pull factors for the FDI. In terms of politically related pull factors of FDI, this section reviews literature that emphasizes four distinct political phenomena: deliberate policies and institutional reforms of host countries, regime type, presence of bilateral investment treaties between home and host countries, and prevalence of foreign firms' political connections in the host nation. On the other hand, in terms of the politically related push factor of the FDI, this section reviews existing literature, exploring three key aspects: the home countries' efforts to maintain favorable diplomatic ties with host countries, the geopolitical motives driving home countries, and the geoeconomic considerations shaping home countries' FDI decisions. Whether categorized as push factors or pull factors, research emphasizing political variables asserts that government policies can exert a substantial influence on foreign direct investment allocations, acting in both direct and intermediary capacities.

Concerning the first political pull factor affecting FDI, venerable studies found that policies directly oriented towards the interest of foreign investors, such as fostering a friendly business environment, implementing a reasonable taxation policy on foreign assets, and imposing fewer restrictions on international trade, have proven successful in attracting multinational firms to invest in the host country[60]. Notably, In his examination of FDI inflows into the Middle East, Onyeiwu posits that foreign

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[59] Ibid.

[60] Recep Kök and Bernur Açıkgöz Ersoy, "Analyses of Fdi Determinants in Developing Countries," *International Journal of Social Economics* 36, no. 1/2 (2009).; Khalid Sekkat and Marie□Ange Véganzonès, "Openness, Investment Climate, and Fdi in Developing Countries," *Review of Development Economics* 11, no. 4 (2007).; Azzimonti, "The Politics of Fdi Expropriation."

investors prefer to invest in host countries where host governments pursue open trade policies, prioritize infrastructural development, take legal precautions against corruption, and endeavor to keep bureaucratic formalities simple and accessible[61]. His findings emphasize that the influence of government policies on foreign investment is so profound that countries in the Middle East and North Africa region face challenges in attracting a large amount of FDI not primarily due to poor macroeconomic performance, high inflation, high unemployment rates, and staggering economic growth performance. Instead, the MENA region is not attractive for foreign investors because governments in these countries are less successful in implementing open trade policies and curbing the prevalent corruption in bureaucratic structures[62].

Secondly, in addition to deliberate host government policies regulating and incentivizing Foreign Direct Investment, certain political institutional variables may influence and significantly moderate foreign firms' decisions to invest in a particular country. One of these political variables that has sparked numerous controversial explanations for FDI is the regime type. The discussions regarding the relevance of the regime type to FDI flows rest on two main pillars. On one hand, one stream of thought underscores the significance of protecting foreign assets and providing legal guarantees to facilitate FDI inflows. On the other hand, another argues that foreign investors are more likely to be enticed by private goods offered to them, such as economic privileges and rent-seeking opportunities, rather than public goods, such as good governance and a functioning legal order.

To begin with the latter perspective, some scholars assert that undemocratic structures do not necessarily hinder FDI inflows. They emphasize the capability of authoritarian governments to offer specific privileges to multinational corporations that might be unattainable under democratic regimes[63]. In this line of thought, since

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[61] Steve Onyeiwu, "Analysis of Fdi Flows to Developing Countries: Is the Mena Region Different" (paper presented at the ERF 10th Annual Conference, December, Marrakech, Morocco, 2003).

[62] Ibid.

[63] Guillermo O'Donnell, "Reflections on the Patterns of Change in the Bureaucratic-Authoritarian State," *Latin American Research Review* 13, no. 1 (1978).

authoritarian regimes are less likely to be restricted by electoral pressures and prevailing legal institutions, they are more capable of providing exceptional benefits for enticing foreign firms to invest in the domestic market. These benefits could encompass exclusive access to state lands, government procurement opportunities, and special guarantees for suppressing labor movements. Furthermore, it is argued that authoritarian regimes may easily intervene in the labor market, providing a favorable factor of production for foreign investors. In autocratic systems, governments can effectively restrain labor wages and thwart workers' unionization, thus significantly contributing to lower-cost production for multinational corporations[64].

Conversely, while acknowledging that authoritarian regimes' prerogatives may be conducive to attracting foreign investment in some cases, Jensen responds that this perspective discounts the importance of political risks in private firms' economic calculations to invest in foreign markets. In this line of argument, emerging political risks, such as nationalization and expropriation of foreign assets, constitute a repelling factor for firms to invest in foreign markets[65]. Multinational companies carefully assess the political risks in the host country since disinvestment of the assets would be costly for the company once invested abroad[66].

Jensen contends that the low political risk would decrease the costs related to the divestment of the multinationals' assets and may positively impact the investment decision[67]. In this context, it is argued that democratic regimes are more likely to be preferred by foreign investors due to relatively lower political risks intrinsic to these regimes. The prevalence of lower political risks for foreign investment in democratic systems can be attributed to the extension of profound institutional legal guarantees

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[64] Jensen, "Democratic Governance and Multinational Corporations: Political Regimes and Inflows of Foreign Direct Investment."

[65] Mancur Olson, "Autocracy, Democracy, and Prosperity," in *Strategy and Choice* (Cambridge: The MIT Press, 1991).

[66] Jensen, "Democratic Governance and Multinational Corporations: Political Regimes and Inflows of Foreign Direct Investment."

[67] Ibid.

to foreign investors. Furthermore, leaders in democratic regimes face higher audience costs, meaning that leaders may encounter voters' discontent when they fail to uphold concluded business contracts[68]. On the other hand, authoritarian regimes often struggle to safeguard the property rights of both local and foreign investors, thereby generating substantial political risks. Even though authoritarian regimes are more capable of providing enticing privileges to foreign investors, they still need to credibly commit that foreign assets will not be preyed on once invested. In this regard, offering private benefits to foreign investors may not sufficiently offset the political risks associated with authoritarian regimes if the authoritarian leader fails to provide a commitment mechanism ensuring the protection of foreign assets from such risks[69].

The third politically related pull factor of FDI responds to this commitment problem emerging between host governments and foreign investors. This perspective contends that sometimes host governments and foreign investors face challenges in reaching a consensus on a mechanism that offers assurances against political risks. In dealing with these challenges, actors involved in investments may turn to mechanisms recognized by international law[70]. Bastiaens highlights one such mechanism within international law, pointing out that Bilateral Investment Treaties can offer a legal foundation for outlining the rights and responsibilities of foreign investors in the host country[71]. Particularly in authoritarian regimes where the risk of expropriation and divestment is elevated for foreign investors, Bilateral Investment Treaties can help alleviate some of the concerns and provide a legal framework for the commitments made by host governments[72].

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[68] Quan Li and Adam L. Resnick, "Reversal of Fortunes: Democratic Institutions and Foreign Direct Investment Inflows to Developing Countries," ibid., no. 1.

[69] Jensen, "Democratic Governance and Multinational Corporations: Political Regimes and Inflows of Foreign Direct Investment."

[70] Oatley, *International Political Economy*.; Andrea Goldstein, *Multinational Companies from Emerging Economies* (2007).

[71] Ida Bastiaens, "The Politics of Foreign Direct Investment in Authoritarian Regimes," *International Interactions* 42, no. 1 (2015).

[72] Ibid.

Finally, the prevalence of foreign firms' political ties in the host nation may constitute another politically relevant pillar of the pull-factor side of FDI. Firms may leverage the political ties established with the government to achieve their business objectives, particularly in situations where resolving resource interdependence with other firms proves challenging. In such cases, firms may resort to "political means to alter the condition of the external economic environment" by obtaining more favorable government regulations and business policies[73]. Firms' deliberate action to influence government policies is conceptualized as Corporate Political Action (CPA)[74].

As Lawton et al. explain, the scope of CPA can be extensive and may subsume activities such as "contributing to the election campaign, entangling indirect lobbying with politicians, allowing government members to participate in company's management boards, concluding voluntary agreements and at times even involving in bribery"[75]. For foreign firms, one way of carving political leverage and obtaining favor from the host government is to form political ties with the local bureaucrats or business elites in a host state. In one study conducted on Singaporean firms that invested in China, Yeung shows that Singaporean firms that established bonds with bureaucracy and elites at the local level have better survival prospects in China's business environment[76]. Furthermore, another means of leveraging the political ties is convincing host governments to present certain first-mover advantages by bringing certain entry constraints and regulations to the late-movers. This approach provides a competitive edge to the foreign investors who moved into the market in the first place[77]. In other words, through their political influence, first-movers may hinder

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[73] Hillman, Withers, and Collins, "Resource Dependence Theory: A Review," 1411.

[74] Kathleen A Getz, "Research in Corporate Political Action: Integration and Assessment," *Business & Society* 36, no. 1 (1997).

[75] Thomas Lawton, Steven McGuire, and Tazeeb Rajwani, "Corporate Political Activity: A Literature Review and Research Agenda," *International journal of management reviews* 15, no. 1 (2013): 86.

[76] Henry Wai□chung Yeung, "Strategic Governance and Economic Diplomacy in China: The Political Economy of Government-Linked Companies from Singapore," *East Asia* 21, no. 1 (2004).

[77] Jędrzej George Frynas, Kamel Mellahi, and Geoffrey Allen Pigman, "First Mover Advantages in International Business and Firm-Specific Political Resources," *Strategic Management Journal* 27, no. 4 (2006).

latecomers' access to the domestic market, establishing inefficient but lucrative monopolies[78].

Concerning the first political push factor affecting the FDI, studies accentuate the home governments' intentional policies to nurture good diplomatic relations with host countries to ameliorate investment ties. The underlying logic in this argument is that home governments may employ diplomatic channels to create safety nets for their local firms operating abroad[79]. To exemplify, using the case of Chinese FDI, Li and Liang contend that investments originating from China are more likely to flow into the host states that have established friendly diplomatic relations with the Chinese government, even if such host states would indicate high political risk and instability. Li and Liang confirm that well-established political relations may act as good insurance for Chinese firms' overseas investments, as host governments are likely to treat Chinese investors favorably. Put differently, in terms of motivating Chinese firms to invest overseas, positive relations between Chinese states and host states can offset other discouraging factors in FDI inflows[80].

Second, some scholars consider the geopolitical agenda of home governments as a substantial political push factor of FDI. This perspective contends that home nations may deliberately employ direct investment outflows as a political instrument to achieve particular foreign policy objectives. This research agenda posits that FDI inflows or outflows transcend mere private financial transactions; instead, they can serve as resources that states utilize to advance non-economic, yet vital interests, including national security[81]. In other words, investment flows are conceptualized as a component of the economic capabilities that states leverage to wield political

[78] Stephan Roll, "'Finance Matters!' the Influence of Financial Sector Reforms on the Development of the Entrepreneurial Elite in Egypt," *Mediterranean Politics* 15, no. 3 (2010).

[79] Li Quan and Guanfeng Liang, "Political Relations and Chinese Outbound Direct Investment: Evidence from Firm- and Dyadic-Level Tests," *Social Science Research Network* (2012).

[80] Ibid.

[81] Aurora A. C. Teixeira and Mariana Gonçalves Dias, "The Importance of Geopolitics in Firms' International Location Decisions: The Polish Case," *Communist and Post-communist Studies* 46, no. 1 (2013).; Ka Zeng and Xiaojun Li, "Geopolitics, Nationalism, and Foreign Direct Investment: Perceptions of the China Threat and American Public Attitudes toward Chinese Fdi," *The Chinese Journal of International Politics* 12, no. 4 (2019).

influence in global affairs. To illustrate, Li et al. argue that China's motivation for investing in the Belt and Road Initiative is not only to support economic development inside China. But it also encompasses political motivations such as expanding its sphere of influence in the region, achieving regional security goals, and ensuring access to strategically important resources[82].

In the context of geopolitical reasoning, even though the geopolitical approach does not neglect the role of transnational firms in international politics, the states are considered the primary bearers of power[83]. While private firms accumulate profound economic capabilities, the states may still influence the economic capabilities of private firms by changing the economic environment through regulatory or legislative acts. Furthermore, private firms are not deemed antagonistic entities to state power in this framework. Rather, private companies and states can mutually nourish each other. By creating the necessary economic conditions for companies, states can cement the contribution of companies to their economic resources, which is an important factor in determining the power of states[84].

Third, some studies accentuate the geoeconomic motivations of the state as a prominent push factor for the FDI. The concept of geoeconomics occupies a middle ground between geopolitical explanations of FDI, which view investment as a political instrument of the state, and economics-based explanations that consider foreign investments as a purely private flow driven by the economic motivations of individuals[85]. The geoeconomics perspective contends that politics and economics have become increasingly intertwined in the realm of states' international policies[86].

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[82] Jiatao Li et al., "Foreign Direct Investment Along the Belt and Road: A Political Economy Perspective," *Journal of International Business Studies* 53, no. 5 (2021).

[83] Robert G. Gilpin, *The Political Economy of International Relations* (Princeton University Press, 2016).

[84] Ibid.

[85] Babić, "State Capital in a Geoeconomic World: Mapping State-Led Foreign Investment in the Global Political Economy."; Anthea Roberts, Henrique Choer Moraes, and Victor Ferguson, "Toward a Geoeconomic Order in International Trade and Investment," *Journal of International Economic Law* 22, no. 4 (2019).

[86] Edward N Luttwak, "From Geopolitics to Geo-Economics: Logic of Conflict, Grammar of Commerce," *The national interest*, no. 20 (1990).

As states increasingly consider foreign economic policy as an indispensable component of the national interest, states are more prone to wield political influence to attain adopted comprehensive economic objectives in the international arena. Contrary to geopolitics, where states underline the relative gains and may funnel economic resources to expand their political power in the region, geoeconomics thinking contends that states prioritize the absolute gains, and they may utilize their political tools for retaining economic objectives[87].

To illustrate the geoeconomic logic propelling the FDI outflows, Babic contends that through state-owned enterprises, governments may invest in other countries with economic motives as other profit-seeking individuals, and they may prioritize a good return on investment rather than fulfillment of particular political objectives[88]. Likewise, Weiner expounds that the Russian government primarily supported state-owned companies in investing abroad by instrumentalizing the diplomatic channels and ensuring their access to reasonable financial instruments. The Russian state chooses to promote the internationalization of domestic firms, particularly those operating in economically and politically strategic sectors such as energy and raw material extraction[89]. Additionally, apart from state-led investment, land grabs can also be another example of state behavior that can be conceived from the geoeconomics perspective. A state may incentivize private individuals to invest in large land and agriculture projects in other countries to alleviate concerns related to food security and foster broad developmental goals in the home country[90].

Lastly, it should be noted that in the ongoing debate between geopolitics and geoeconomics, some studies argue that geopolitical and geoeconomics motives are not necessarily mutually exclusive. These studies contend that the state's

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[87] Blackwill and Harris, *War by Other Means*.

[88] Babić, "State Capital in a Geoeconomic World: Mapping State-Led Foreign Investment in the Global Political Economy."

[89] Csaba Weiner, "International Expansion of Russian Multinationals: A Focus on Home-Country Push Factors, Europe and Five Cee Countries," *Centre for Economic and Regional Studies HAS Institute of World Economics, Working Paper*, no. 236 (2017).

[90] Antoinette G. Sebastian and Jeroen Warner, "Geopolitical Drivers of Foreign Investment in African Land and Water Resources," *African Identities* 12, no. 1 (2013).

involvement in FDI flows may encompass both geopolitical and geoeconomics motivations. For instance, Young argues that the UAE's investment in Egypt involves both geopolitical objectives and geoeconomics motivations. On the one hand, the UAE integrates private and state economic interests, investing in regional countries to support its development model. In this context, the UAE focuses on and incentivizes investment projects in strategic sectors such as finance, retail, and construction. On the other hand, the UAE's investment in Egypt can be seen geopolitically, as the Emirates employs investment relations to pursue foreign policy goals such as preventing extremist ideologies, achieving regional security objectives, and promoting its vision of secular Arab leadership[91].

2.3. Authoritarian Resilience

The previous section highlights the economic, social, and political pull and push factors peculiar to home and host nations that influence the FDI flows. This section, on the other hand, turns its attention to the political landscape and investigates a parallel stream of literature on the factors that perpetuate authoritarian resilience and locates the FDI in this discussion. Finally, the section reflects on the limitations of the research that delves into the link between FDI and authoritarian survival by bridging its critique to the determinants of FDI discussed in the previous section.

The prevailing literature on authoritarian survival is vast and multi-dimensional. The comparatively longer terms of the authoritarian leaders garnered extensive academic scrutiny in order to elucidate the reasons behind the prevalent authoritarian resilience in these countries[92]. These explanations can be categorized based on whether they pertain to the international or domestic aspect of the explanatory variable. The domestic factors contributing to authoritarian survival refer to the established institutional structures as well as political and economic resources that political leaders leverage to stay in power without the mediation of an international actor. On

[91] Young, "A New Politics of Gcc Economic Statecraft: The Case of Uae Aid and Financial Intervention in Egypt."

[92] Bruce Bueno De Mesquita et al., *The Logic of Political Survival* (2003).; Milan W. Svolik, "Power Sharing and Leadership Dynamics in Authoritarian Regimes," *American Journal of Political Science* 53, no. 2 (2009).

the other hand, international factors encompass economic and political resources or conditions originating from abroad, which political leaders exploit to enhance their chances of political survival.

One of the prominent domestic factors under academic scrutiny is the effect of windfall revenues extracted from natural resources on the resilience of authoritarian regimes[93]. This theoretical perspective accentuates that abundant natural resources within a country may bestow political leaders with precious and untaxed financial resources, which can be spent to counteract emerging challenges and threats to their incumbency[94]. Extracted rents can enable political leaders to refrain from imposing higher tax rates on economic activities, thereby easing the taxation burden on the public for government budget financing. Furthermore, leaders may use extracted rents to fund transfer payments, addressing specific economic grievances within the country. In this way, the rentier economy generated by natural resources becomes an appeasement tool in the leader's arsenal, allowing them to keep their political constituents financially satisfied[95]. Moreover, political leaders can utilize extracted rents to extend private goods to the political elites within their winning coalition, thereby appeasing them and mitigating the risk of their defection to the political regime[96]. Lastly, political leaders may spend the windfall incomes from the natural resources for investing in the repressive apparatuses of the state, strengthening the oppressive capacity of the incumbents against the domestic and international sources of threats to the regime. In addition to the rentier nature of the domestic political economy, the link between prevailing institutions and authoritarian resilience also garnered significant academic scrutiny[97]. Some scholars emphasized that the

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[93] Stephen Haber and Victor Menaldo, "Do Natural Resources Fuel Authoritarianism? A Reappraisal of the Resource Curse," *American Political Science Review* 105, no. 1 (2011).

[94] Michael L. Ross, "Does Oil Hinder Democracy?," *World Politics* 53, no. 3 (2001).; Thad Dunning, “Crude Democracy: Natural Resource Wealth and Political Regimes,” *Choice Reviews Online* 46, no. 12 (August 1, 2009): 46–7042, https://doi.org/10.5860/choice.46-7042.

[95] Larry Diamond, "Why Are There No Arab Democracies?," *Journal of Democracy* 21, no. 1 (2009).

[96] De Mesquita et al., *The Logic of Political Survival*.

[97] Jason Brownlee, *Authoritarianism in an Age of Democratization* (2007).; Barbara Geddes, "Paradigms and Sand Castles: Theory Building and Research Design in Comparative Politics," *Choice Reviews Online* 41, no. 11 (2004).

established political parties and legislative structures may strengthen authoritarian governance by constituting a power-sharing platform for the ruling elites and, thereby, may "alleviate commitment and monitoring problems"[98]. Put differently, power-sharing institutions, such as ruling political parties, are effective for addressing collective action problems that may arise within the ruling elite as well as between the elite and the political leader[99]. Nevertheless, among the institutions that pervade authoritarian regimes, one category had the lion's share in the prevailing literature: The repressive apparatuses of the state[100]. In line with this perspective, incumbents may prioritize enhancing the repressive capacity and institutional foundations of coercive institutions, including the police force, military, or paramilitary groups. They depend on these institutions to quell social unrest aimed at their removal from power. Neglecting to secure the loyalty of these institutions in authoritarian polities can be dangerous for political leaders, potentially resulting in defection during social movements or involvement in coups to install a new leader into power who may address their economic grievances[101]. Therefore, incumbents may choose to allocate funds from their budgets to provide financial benefits, aiming to buy off the fidelity of these institutions[102].

Additionally, political leaders may create conditions for facilitating rent-seeking and extraction opportunities for these institutions, allowing them to build their own sources of financial revenue and act to protect their financial interests[103]. This

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98 Boix, C., & Svolik, M. W. (2013). The foundations of limited authoritarian government: Institutions, commitment, and power-sharing in dictatorships. *The Journal of Politics*, *75*(2), 300-316., 300

99 Scott Gehlbach and Philip Keefer, "Investment without Democracy: Ruling-Party Institutionalization and Credible Commitment in Autocracies," *Journal of Comparative Economics* 39, no. 2 (2011).

100 Eva Bellin, "The Robustness of Authoritarianism in the Middle East: Exceptionalism in Comparative Perspective," *Comparative politics* 36, no. 2 (2004); "Reconsidering the Robustness of Authoritarianism in the Middle East: Lessons from the Arab Spring," *Comparative politics* 44, no. 2 (2012).; Edip Bekaroğlu and KURT Veysel, "Mısır'da Otoriter Rejimin Sürekliliği Ve Ordu:" Arap Baharı" Ve Sonrası Sürecin Analizi," *Türkiye Ortadoğu Çalışmaları Dergisi* 2, no. 2 (2015).

101 Diamond, "Why Are There No Arab Democracies?."

102 Bruce Bueno de Mesquita and Alastair Smith, "Political Succession: A Model of Coups, Revolution, Purges, and Everyday Politics," *Journal of Conflict Resolution* 61, no. 4 (2017).

103 Mwangi S. Kimenyi and John Mukum Mbaku, "Rents, Military Elites, and Political Democracy," *European Journal of Political Economy* 11, no. 4 (1996).

phenomenon is particularly pertinent in countries with a low level of state capacity, where the military organization has a distinct advantage in employing coercive force within the state. As a rent-seeker, the military may utilize its power to assert control over resources generated within the country[104]. Moreover, apart from the encroachment of the extracted rents, the military institution may emerge as a merchant in society by exclusively obtaining ownership of business ventures. In this regard, the military stands not only as a coercive apparatus of the state but also as an autonomous business entity with its independent mechanism for collecting economic revenue. With the military institutions acquiring an independent commercial identity, political leaders gain a new avenue for delivering private goods and benefits to these entities to maintain their loyalty to the political regime. Rather than providing tangible and direct financial benefits, such as military spending or personal payments to high-ranking officers, the incumbent may opt for extending more intangible private goods in the form of exclusive economic and legal privileges. These benefits might include tax exemptions on revenue generated from business activities, immunity from government scrutiny regarding commercial interactions, privileged access to affordable loans, and special treatment in government-organized procurement processes[105]. Hence, the incumbent's inability to grant these privileges to the military for autonomous business activities or the involvement in political-economic reforms to mitigate the prerogative extended to the military institution may jeopardize their prospects of staying in power. Such actions could potentially impinge on the corporate interests of the military institutions, decreasing the cost of military intervention against the incumbents to replace them with a challenger more sensitive to their material interests[106].

To reiterate, the ability to leverage encroached rents extracted from natural resources may grant incumbents exclusive funds for investing in the mechanisms that endorse their political survival. In addition, political leaders may devise strategies by taking

[104] John Mukum Mbaku, "Military Coups as Rent-Seeking Behavior," *Journal of Political & Military Sociology* (1994).,250

[105] Consuelo Cruz and Rut Diamint, "The New Military Autonomy in Latin America," *Journal of Democracy* 9, no. 4 (1998).

[106] David P Prina, "Taking Care of Their Own: The Causes and Consequences of Soldiers in Business" (University of Maryland, College Park, 2017).

advantage of existing social institutions to hinder the conditions that may jeopardize their grip on power. Among these strategies, sustaining the material interests of the coercive apparatus of the state, either by the provision of direct or indirect benefits, plays a pivotal role in strengthening both their capacity and motivation to uphold the authoritarian status quo.

Nevertheless, these strategies and antecedent conditions for authoritarian resilience ultimately stem from the domestic settings. Alternatively, political leaders may leverage international sources for procuring financial or non-financial means of political support. Foreign military intervention can be considered an important instance of the non-financial means of support for the incumbents. The Gulf Cooperation Council's deployment of military units to Bahrain to support the Sheikdom to maintain political stability after the Arab Uprising in the country[107] and Russian involvement in the civil war in Syria to prevent the toppling of the al-Assad regime[108] may exemplify the contemporary implementations of this strategy. Apart from deploying the military troops in a transient framework of foreign intervention, international powers may opt for establishing permanent overseas military bases with the invitation of the host countries, thereby aiming at contributing to the security of the regime against domestic and cross-border threats[109].

Additionally, foreign powers may employ their institutional capacities for endorsing the political stability of the regimes in targeted countries. One notable example of the political leaders' utilization of another foreign nation's institutional capacity is intelligence sharing[110]. Accordingly, the intelligence provided by foreign sources could be extremely valuable for incumbents in recalibrating their strategies and

[107] Ragab, "Beyond Money and Diplomacy: Regional Policies of Saudi Arabia and Uae after the Arab Spring."

[108] Samuel Charap, Elina Treyger, and Edward Geist, *Understanding Russia's Intervention in Syria* (2019).

[109] Michael J. Strauss, "Foreign Bases in Host States as a Form of Invited Military Assistance: Legal Implications," *Journal on the Use of Force and International Law* 8, no. 1 (2020).

[110] Don Munton and Karima Fredj, "Sharing Secrets: A Game Theoretic Analysis of International Intelligence Cooperation," *International Journal of Intelligence and Counterintelligence* 26, no. 4 (2013).

adopting tactics against incipient or ongoing threats to their survival, such as insurgencies[111], coup attempts, and mass demonstrations[112].

A focal point of attention within this category, receiving substantial scholarly scrutiny, is foreign aid[113]. The aid disbursed from the donor countries may provide political leaders with precious funds. Much like rents derived from unearned incomes, the obtained aid may serve as a vital resource for sustaining the mechanisms that underpin the stability of their regime[114]. Certainly, it can be asserted that foreign aid allocations may come with conditions, as donor countries may tie the aid to the procurement of specific political concessions[115]. These concessions attached to the foreign aid may range from involvement in the military alliances[116] to the implementation of particular reforms for urging the ongoing democratic consolidation process[117]. In this context, the motivations of the donor countries are a prominent intervening variable for determining how foreign aid would affect the political survival of the recipient countries. On the one hand, it could be contended that if the donor countries condition the foreign aid disbursements to the implementation of the democratic reforms, they may weaken the authoritarian leaders' grip on power and provide more financial incentives for a democratic opening[118]. On the other hand, if donor countries prioritize supporting the political

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111 Walsh, J. I. (2008). Intelligence Sharing for Counter□Insurgency. *Defense & Security Analysis*, *24*(3), 281-301.

112 Eric Rittinger, "Coup-Proofing Vulnerable Presidencies in Latin America," in *Oxford Research Encyclopedia of Politics* (Oxford: Oxford University Press, 2020).

113 Hans J. Morgenthau, "A Political Theory of Foreign Aid," *American Political Science Review* 56, no. 2 (1962).; Edward Thomas Rowe, "Aid and Coups D'état: Aspects of the Impact of American Military Assistance Programs in the Less Developed Countries," *International Studies Quarterly* 18, no. 2 (1974).

114 Jason Brownlee, *Democracy Prevention* (Cambridge University Press, 2012).

115 Bruce Bueno De Mesquita and Alastair Smith, "Foreign Aid and Policy Concessions," *Journal of Conflict Resolution* 51, no. 2 (2007).

116 Edward N. Muller, "Dependent Economic Development, Aid Dependence on the United States, and Democratic Breakdown in the Third World," *International Studies Quarterly* 29, no. 4 (1985).

117 Joseph Wright, "How Foreign Aid Can Foster Democratization in Authoritarian Regimes," *American Journal of Political Science* 53, no. 3 (2009).; Danielle Resnick, *Foreign Aid and Democratization in Developing Countries* (2016).

118 *Foreign Aid and Democratization in Developing Countries*.

stability of the recipient country, they may allow the incumbents to leverage aid flows to maintain their hold on power[119].

Finally, studies scrutinizing the effects of foreign direct investments on the stability of the political regime in authoritarian countries have found a place in the authoritarian resilience literature recently. Prevailing theories formulated mainly three distinct explanations to account for FDI inflow's contribution to the regime survival in the host countries. Firstly, it is argued that FDI may engender a legitimacy-endorsing effect. Accordingly, FDI may improve the living conditions of citizens and ameliorate prevailing economic problems such as pervading unemployment and inflation. Improving the material conditions of the citizens may result in an increase in the perceived legitimacy and reliability of the incumbent, rendering popular revolts and tumultuous social movements less likely[120]. Moreover, certain studies acknowledge the legitimizing impact of FDI on regime survival but contend that the benefits of FDI are not uniformly distributed. From this standpoint, the middle classes within society are more prone to enjoying significant advantages from FDI, thus playing a pivotal role in garnering legitimacy and support for the political leader from this crucial segment of the population[121].

Additionally, another way in which FDI can enhance the legitimacy of incumbent regimes is through its signaling function. FDI serves as a mechanism signaling international approval of the political regime in the host state. Notably, FDI from a major country can increase the legitimacy of the incumbent, sending a signal to the domestic political elite about their perseverance in maintaining their support for the political incumbent. Consequently, this signal may contribute to mitigating the risk of popular uprisings and elite defection[122].

Second, studies formulate that FDI may contribute to authoritarian resilience through its budget-endorsing effect. FDI may furnish financial resources to political leaders

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[119] Angus McDowall and Regan Doherty, "Mursi's Fall in Egypt Comforts Saudis, Disconcerts Qatar," *Reuters* (2013).; Rod Nordland, "Saudi Arabia Promises to Aid Egypt’s Regime," (2013).

[120] Escribà□Folch, "Foreign Direct Investment and the Risk of Regime Transition in Autocracies."

[121] Rommel, "Foreign Direct Investment and the Politics of Autocratic Survival."

[122] Escribà□Folch, "Foreign Direct Investment and the Risk of Regime Transition in Autocracies."

through both direct and indirect channels. As an illustration of the former, investments in state-owned enterprises or joint business ventures involving state-owned enterprises generate funds that can be readily transferred to the government's coffers[123]. Alternatively, FDI might create indirect opportunities for the government to raise funds by appropriating a portion of the generated rents through the business activities of foreign firms in the domestic market[124]. Similar to the impact of funds allocated through foreign aid, political leaders may strategically invest the funds raised through FDI into their patronage network[125], or they use the raised funds to strengthen coercive apparatuses of the state[126]. In either means, political leaders aim at increasing the costs of a popular revolt or defection of the political elite to the political regime[127].

Third, FDI may bolster authoritarian regimes through its cooptation enabling dynamics[128]. Rather than examining the FDI's influence on the incumbent's budget, this approach considers that when politically connected domestic elites benefit from the FDI inflows, such FDI transactions can function as private good allocations for ensuring the political elites' loyalty to the regime[129]. In this perspective, FDI can operate as a commitment device between the political elite and incumbents on two levels. Initially, political leaders may enable politically connected elites to access FDI profitable contracts[130]. Subsequently, from the standpoint of the political elite,

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[123] Bak and Moon, "Foreign Direct Investment and Authoritarian Stability."

[124] Pablo M. Pinto and Boliang Zhu, "Fortune or Evil? The Effect of Inward Foreign Direct Investment on Corruption," *International Studies Quarterly* 60, no. 4 (2016).

[125] Tomashevskiy, "Investing in Violence: Foreign Direct Investment and Coups in Authoritarian Regimes."

[126] Bellin, "The Robustness of Authoritarianism in the Middle East: Exceptionalism in Comparative Perspective."

[127] Tomashevskiy, "Investing in Violence: Foreign Direct Investment and Coups in Authoritarian Regimes."

[128] Rommel, "Foreign Direct Investment and the Politics of Autocratic Survival."

[129] Johannes Gerschewski, "The Three Pillars of Stability: Legitimation, Repression, and Co-Optation in Autocratic Regimes," *Democratization* 20, no. 1 (2013).

[130] Bob Rijkers, Caroline Freund, and Antonio Nucifora, "All in the Family: State Capture in Tunisia," *Journal of Development Economics* 124 (2017).

yielded benefits from the FDI contracts may increase their calculated costs of defection from the political regime. Furthermore, the uncertainties inherent to the political succession process escalate the cost of defection since the political elite would remain uncertain of whether a newcomer incumbent would enable them to reap similar lucrative FDI contracts[131].

2.4. Limitations of the research probing FDI's link to authoritarian resilience

Existing research on the impact of direct investments on authoritarian resilience in host countries provides valuable insights into the mechanisms that incumbent leaders use to maintain power. However, this study contends that a crucial limitation exists in current research. The reviewed studies in this area largely overlook the political dimension of FDI from the perspective of the home countries, where the investments originate. Geopolitical motives embedded in FDI flows, as highlighted by some studies[132], suggest that overseas investments can serve as a political tool for projecting power in the international arena. In other words, home governments may intentionally use FDI outflows to advance a specific political agenda in host nations. The political motives of home countries in politicizing FDI outflows can potentially influence the relationship between FDI and political survival in authoritarian regimes since the home countries' political agenda may interfere with the dynamics governing the contribution of FDI to authoritarian survival in the host country. Consequently, the impact of FDI inflows on authoritarian survival could be more pronounced if home countries prioritize the stability of the regime in host countries as a key political objective.

The significance of the political motives of home countries becomes evident when comparing these studies that investigate the link between FDI and authoritarian resilience with the research agenda that probes the influence of foreign aid on authoritarian survival. As explained in this section, political leaders may leverage foreign aid to strengthen their coercive and cooptation strategies employed to stay in

[131] Bak and Moon, "Foreign Direct Investment and Authoritarian Stability."

[132] Gilpin, *The Political Economy of International Relations*.; Quan and Liang, "Political Relations and Chinese Outbound Direct Investment: Evidence from Firm- and Dyadic-Level Tests."

power. Nevertheless, donor countries' motivations may also have a profound intervening effect on the politics of aid in authoritarian regimes. Foreign aid disbursements may embody certain conditionalities for the incumbent in the recipient state, and these strings attached to the aid may restrict the incumbents from funneling received funds for their political survival. Similarly, by drawing an analogy with foreign aid research, this study posits that the political motives of the home countries may engender an intervening effect on the investment dynamics contributing to the authoritarian regimes' stability in the host nations.

Furthermore, since the existing studies examining FDI's impact on authoritarian survival could not provide a comprehensive framework subsuming the motives of the home countries, these theoretical frameworks could not also account for the role of the private firms in the politics of FDI in the host countries. Unlike official foreign aid disbursements, in which the donor and recipient state are the prominent actors, FDI transactions usually contain a third crucial actor— private firms. Even though FDI transactions are usually concluded between the host and home countries, there could be often no transactions at all in the absence of private firms.

The involvement of private firms as prominent actors in FDI transactions renders the investigation of the political implications of FDI a complicated academic endeavor. As outlined in this review section, the decision of private firms to invest in foreign markets is primarily driven by profit-seeking goals[133], though these economic motives are sometimes restricted by political and social forces[134]. In this sense, private firms meticulously assess the costs and benefits of investing in another country, considering both the tangible advantages derived from the investment and the associated political and non-political risks.

Considering the prominence of profit-driven private firms in FDI transactions, a comprehensive understanding pertinent to the politics of FDI should address how

133 Oatley, *International Political Economy*.; Desislava Dikova, Andrei Panibratov, and Anna Veselova, "Investment Motives, Ownership Advantages and Institutional Distance: An Examination of Russian Cross-Border Acquisitions," *International Business Review* 28, no. 4 (2019).

134 Jensen, "Democratic Governance and Multinational Corporations: Political Regimes and Inflows of Foreign Direct Investment."

FDI's impact on the authoritarian resilience in the host countries should reconcile the economic motives of the private firms and should situate these firms into a broad political framework. This research contends that accounting for the political motives of the home countries would present a remedy for this problem because home states have political resources to integrate the economic motives of the private firms into a political agenda attributed to the FDI flows, as the studies examining geopolitical motivations driving FDI demonstrates[135].

2.5. Conclusion

The primary aim of this research is to explore one of the significant political implications of Foreign Direct Investment by examining the contribution of the FDI inflows on the authoritarian resilience in the host countries. This research objective necessitates reviewing two distinct academic literature, and amalgamating them to present a more comprehensive framework addressing the politics of FDI. To commence with, this review section considers private firms as prominent units involved in FDI transactions, outlining the pull and push factors that propel these firms to invest in foreign markets. The review underscores the intricate interplay of the political, social, and economic forces affecting the foreign investment flows. Subsequently, the review turns its attention to the literature on authoritarian resilience, locating the studies that probe the contribution of FDI transactions on authoritarian survival. The review section highlights a limitation in existing studies, pointing out that they are constrained by their failure to consider the political motives of home countries. It argues that deliberate policies of home countries to instrumentalize the FDI flows could engender a profound intervening effect on the link between FDI's contribution to authoritarian resilience. Furthermore, prevailing studies overlook the role of private firms in the politics of FDI and struggle to reconcile their economically motivated decisions with the political function attributed to FDI transactions. Taking these limitations into consideration, this study refines the existing theoretical frameworks to offer a more comprehensive understanding of the role of FDI in authoritarian politics in the subsequent chapter.

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[135] Li et al., "Foreign Direct Investment Along the Belt and Road: A Political Economy Perspective."

CHAPTER 3

THEORETICAL FRAMEWORK, THE CASE, AND METHODOLOGY

3.1. Theoretical Framework

Authoritarian leaders have successfully leveraged financial resources obtained from both domestic and international channels to solidify their grip on power. By extracting rents from unearned income, these leaders have strengthened their patronage networks and garnered support from the political elite[136]. Likewise, extensive research underscores the substantial role of foreign aid disbursements as a crucial financial lifeline for authoritarian regimes, enabling incumbents to spend procured funds into various mechanisms supporting their survival[137]. In this regard, these windfall incomes proved useful for the authoritarian leaders to strengthen the repressive apparatuses in the state, bolstering their capacity to sustain the stability of the regime in times of duress, such as popular revolt and military rebellion[138]. Moreover, these funds have served as a means to prevent defection within the repressive apparatus of the state and to coopt the domestic political elite, whose support is crucial for the incumbent's continued grasp on power[139].

Additionally, recent studies also highlight FDI as a potential resource contributing to the resilience of authoritarian governments[140]. One of the key arguments in these

[136] Haber and Menaldo, "Do Natural Resources Fuel Authoritarianism? A Reappraisal of the Resource Curse."; Ross, "Does Oil Hinder Democracy?."; Thad Dunning, "Crude Democracy: Natural Resource Wealth and Political Regimes," *Choice Reviews Online* 46, no. 12 (2009).

[137] Morgenthau, "A Political Theory of Foreign Aid."; Rowe, "Aid and Coups D'état: Aspects of the Impact of American Military Assistance Programs in the Less Developed Countries."

[138] De Mesquita and Smith, "Leader Survival, Revolutions, and the Nature of Government Finance."

[139] Brownlee, *Democracy Prevention*.

[140] Escribà□Folch, "Foreign Direct Investment and the Risk of Regime Transition in Autocracies."; Bak and Moon, "Foreign Direct Investment and Authoritarian Stability."; Tobias Rommel, "Foreign Direct Investment and Political Preferences in Non-Democratic Regimes," ibid. (2023).

studies is that foreign direct investment flows may operate as a form of windfall income, similar to official foreign aid allocations and extracted rents from natural resources. This offers an opportunity for authoritarian incumbents in host countries to extract these rents and allocate them for enhancing the stability of their political regime[141]. However, constructing a comprehensive theoretical framework and conducting empirical analyses of FDI's impact on authoritarian survival pose significant challenges. As discussed in the literature review chapter of this thesis, the limitations of the prevailing theories stem from the intricate nature of the FDI flows, involving geopolitical and geoeconomic motives of the states, as well as the foreign private firms whose economically driven decisions are restricted by political and social forces. This hallmark of the FDI distinguishes these flows from the official foreign aid allocations, which are typically characterized by bilateral flows from donor countries or institutions to an official recipient entity.

Consequently, considering the complicated nature of FDI, this study emphasizes the need for a theoretical framework that not only addresses the instrumentalization of FDI to achieve political objectives but also examines how economically motivated foreign firms become intertwined in the political dynamics of FDI within authoritarian regimes. The central argument of this study posits that FDI may enhance the resilience of authoritarian regimes in host countries by bolstering political leaders' capacity to employ both coercive and cooptation strategies to maintain power. However, a critical aspect of this argument is that the impact of FDI on the potential survival of authoritarian regimes may be intricately linked to the motives of home governments in mobilizing their political resources to shape FDI outflows as a foreign policy tool for sustaining regime stability in host countries.

This section outlines a theoretical framework that examines the role of Foreign Direct Investment inflows in contributing to authoritarian resilience in host countries. The employed theory builds upon existing frameworks addressing similar research subjects, yet this study substantially modifies prevailing theories by incorporating the significant roles of home countries and private foreign firms as intervening forces.

141 Tomashevskiy, "Investing in Violence: Foreign Direct Investment and Coups in Authoritarian Regimes."

The discussion begins by examining two crucial mechanisms proposed to explain the influence of FDI inflows on regime survival in authoritarian regimes: the budget-endorsing effect and the cooptation-enabling effect of FDI in host countries. The former represents a direct allocation of financial resources to the authoritarian incumbent, while the latter denotes an indirect contribution to regime survival through the activation of patronage networks in the host nations. Subsequently, the section introduces the political motives of home countries as an intervening variable, asserting that the willingness of the home government to instrumentalize FDI outflows for specific political agendas would significantly impact the politics of FDI in authoritarian polities.

3.1.1. Budget-Endorsing Effect of FDI

The first mechanism propounds that FDI may contribute to authoritarian survival in host regimes through its budget-endorsing effect. This phenomenon suggests that FDI can serve as a direct funding source for the political leader, enabling them to bolster their financial resources[142]. Subsequently, these funds may be utilized to secure political support from essential members of the political elite. FDI presents monetary resources for the incumbents, who may use them to invest in their political survival[143]. By strengthening the patronage links with the political elite and appeasing them not to endorse activities that threaten the political regime, such as military coups or popular movements, the incumbents strive to increase their political survival prospects[144]. This mode of interaction can also be observed in countries where state-business relations are organized along with cronyism, in which governments have a stake in meddling in business relations to pursue particular political interests[145]. Incumbents may opt for deliberately distributing wealth to the selected private business groups in expectation of obtaining business elites' support

[142] Bak and Moon, "Foreign Direct Investment and Authoritarian Stability."

[143] De Mesquita and Smith, "Leader Survival, Revolutions, and the Nature of Government Finance."

[144] Tomashevskiy, "Investing in Violence: Foreign Direct Investment and Coups in Authoritarian Regimes."

[145] Gerschewski, "The Three Pillars of Stability: Legitimation, Repression, and Co-Optation in Autocratic Regimes."

for the political regime while retaining some degree of autonomy from the business interest groups[146].

To emphasize, Foreign Direct Investment offers political leaders avenues to bolster their financial resources. One such avenue involves FDI contributing to leaders' budgets through increased tax revenues generated from foreign-invested businesses[147]. As the contribution of foreign firms to domestic business activities increases, host governments' tax base may begin to increase gradually. However, beyond the earned incomes, FDI may have a budget-endorsing effect by providing yielding benefits for certain unearned incomes resulting from the business activities of foreign firms. One of these avenues is that foreign direct investment may create rent-seeking opportunities for both foreign firms and the local government, particularly in nations with less economic diversification, limited domestic competition, and constrained political contestation[148]. In such scenarios, foreign firms wield significant power, capable of overshadowing domestic investment and establishing monopolies within the internal market. Thereby, foreign investors may reap substantial rents resulting from occupying a dominant position in the domestic market and may share these appropriated rents with the government to secure additional preferential advantages[149]. In the essence of this argument, when the economy is concentrated on specific sectors, domestic competition is stifled, and democratic institutions are frail, FDI can create ample opportunities for rent-seeking behavior for the firms and government. These opportunities converge toward a vital goal for the incumbent[150]. As the budget of political leaders expands, they gain confidence in purchasing the loyalty of political elites or investing in the state's

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[146] Amr Adly, "Politically-Embedded Cronyism: The Case of Post-Liberalization Egypt," *Business and Politics* 11, no. 4 (2009).
[147] Escribà□Folch, "Foreign Direct Investment and the Risk of Regime Transition in Autocracies."

[148] Shu Keng et al., "Bilateral Rent□Seeking and Growth of Fdi Inflow in China: Theory and Evidence," *Contemporary Economic Policy* 38, no. 2 (2020).

[149] Pinto and Zhu, "Fortune or Evil? The Effect of Inward Foreign Direct Investment on Corruption."

[150] Marco Barassi and Ying Zhou, "The Effect of Corruption on Fdi: A Parametric and Non-Parametric Analysis," *European Journal of Political Economy* 28, no. 3 (2012).; Alvaro Cuervo□Cazurra, "Better the Devil You Don't Know: Types of Corruption and Fdi in Transition Economies," *Journal of International Management* 14, no. 1 (2008).

repressive apparatus, which, in turn, may ensure protection against domestic or international threats[151].

3.1.2. Cooptation-Enabling Effect

The second mechanism contends that FDI may contribute to authoritarian resilience by consolidating political elites' support for the regime and raising the cost of defection from the political regime. This mechanism specifies that Foreign Direct Investment can serve as a commitment device, fostering a tacit agreement between political incumbents and elites in the host country. FDI has the potential to establish mutually reinforcing bonds between the political incumbent and the business elite. On the one hand, by facilitating access to lucrative FDI contracts for business elites, incumbents provide valuable political resources in exchange for continuous support for the political regime[152]. On the other hand, the privileges derived from FDI contracts are compelling incentives for elites, as their support is crucial for the incumbent's political survival[153]. From the perspective of the business elite, breaking this unwritten agreement would incur significant costs. If an elite were to defect and another leader was to replace the incumbent, there is no guarantee that the incoming leader would extend the same uncodified FDI privileges to the business elite[154]. Consequently, due to the high costs associated with elite defection and the uncertainties surrounding the political succession process, FDI functions as a tacit but effective commitment mechanism between political leaders and elites.

FDI's function as a commitment mechanism between leaders and political elites could be valuable for incumbents when facing severe budget constraints. Especially in times of economic crisis, when incumbents cannot rely on taxes and rents to support their budget, the regime's survival could be at stake since leaders may not

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[151] Bellin, "Reconsidering the Robustness of Authoritarianism in the Middle East: Lessons from the Arab Spring."

[152] Bak and Moon, "Foreign Direct Investment and Authoritarian Stability."

[153] Ibid.

[154] Ibid.

distribute resources to political elites in order to ensure their loyalty to the regime[155]. In this desperate context for the incumbents, FDI can save the face of the political leaders by creating rent extraction opportunities for the elites. In this sense, FDI may offset the scarcity of economic resources that leaders pledge to distribute to elites in exchange for their support to the political regime[156].

Incumbents may funnel the FDI into the business elite through various mechanisms. To begin with, through formal regulations, governments may ensure that FDI only benefits certain economic groups in society. To exemplify, political leaders may require foreign investors to establish joint ventures with specific private business groups[157]. Through this requirement, incumbents ensure that individuals associated with these invested business entities yield benefits of foreign investment. Additionally, the government may only allow a handful of privileged firms to conduct business in certain sectors. One means of ensuring such restriction is to grant specific licenses to the politically linked business elites to provide them with exclusive business operation rights in a particular sector[158]. Through this strategy, the government may constrict foreign firms’ options when investing in local firms operating in these sectors. Thereby, incumbents may enable hand-picked domestic business groups to extract economic rents from foreign investment.

Moreover, political leaders can ensure that local business elites derive benefits from foreign direct investment by creating opportunities for rent extraction over their real estate assets. The incumbent can achieve this by leveraging its authority to designate the location of foreign firms' investments through obligatory decrees or incentives. One effective method is by encouraging foreign firms to establish their business ventures on lands owned by the political elite. This way, incumbents facilitate politically connected elites to immediately benefit from foreign investment. Alternatively, political leaders may incentivize foreign investors to establish their

[155] De Mesquita and Smith, "Leader Survival, Revolutions, and the Nature of Government Finance."

[156] Escribà□Folch, "Foreign Direct Investment and the Risk of Regime Transition in Autocracies."

[157] Mardon, "The State and the Effective Control of Foreign Capital: The Case of South Korea."

[158] Heather A. Haveman et al., "The Dynamics of Political Embeddedness in China," *Administrative Science Quarterly* 62, no. 1 (2016).

businesses in specific locations near real estate owned by the elites[159]. This strategic positioning prompts the appreciation of these real properties as a by-product of foreign investment[160].

Lastly, incumbents may utilize state procurements as a signaling mechanism for foreign investors. By awarding specific state procurement agreements to business ventures owned by selected political elites, incumbents signal to foreign firms that these local enterprises linked to the political elite will receive government support in their future business endeavors. Put differently, incumbents may convey that the politically connected elite will have access to government resources in the future, implying to foreign investors that investing in these local firms would be a lucrative and strategically advantageous business decision[161]. In this context, incumbents may attract foreign firms to invest in specific local businesses by highlighting the privileged connections these enterprises established with the government and their ability to capitalize on selective advantages bestowed upon them. These advantages may encompass a range of benefits, including "monopoly rights, import quotas, tariff protection, public contracts, access to subsidies and tax exemptions, and public bank credits"[162]. Consequently, granting these privileges to local firms implies their ability to access valuable and exclusive resources within the domestic market of the host country. In turn, this signals to foreign firms that investing in these local enterprises is a secure and advantageous option.

3.1.3. Political Motives of the Home Countries

This section demonstrates that FDI may contribute to the survival of political incumbents in authoritarian regimes through budget-endorsing and cooptation-

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[159] Escribà□Folch, "Foreign Direct Investment and the Risk of Regime Transition in Autocracies."

[160] Chris Brooks et al., "The Impact of Foreign Real Estate Investment on Land Prices: Evidence from Mauritius," *Review of Development Economics* 21, no. 4 (2017).

[161] Raymond Fisman, "Estimating the Value of Political Connections," *The American Economic Review* 91, no. 4 (2001).; Amertya A Putantri, Yunieta Anny Nainggolan, and Yessy Peranginangin, "Are Foreign Investors Attracted to Politically Connected Firms?," *International Journal of Business & Society* 19, no. 1 (2018).

[162] Adly, "Politically-Embedded Cronyism: The Case of Post-Liberalization Egypt.", 4

enabling effects. The former refers to the idea that Foreign Direct Investment can offer direct financial resources at the discretion of incumbents. These resources empower incumbents to maintain political power through diverse means, including purchasing the loyalty of the political elite and reinforcing the repressive apparatus of the state[163]. On the other hand, the cooptation-enabling effect emphasizes that FDI may establish tacit bonds among foreign investors, the domestic elite, and the political incumbent, and a "mutually self-enforcing" relationship emerges between these actors[164]. As a result of this relationship, FDI may serve as a commitment device between the political elite and incumbents, facilitating the transfer of private goods to connected elites in exchange for their ongoing political support for the leader[165]. The relevance of these two mechanisms with the link between FDI and authoritarian resilience can be seen in Figure 1.

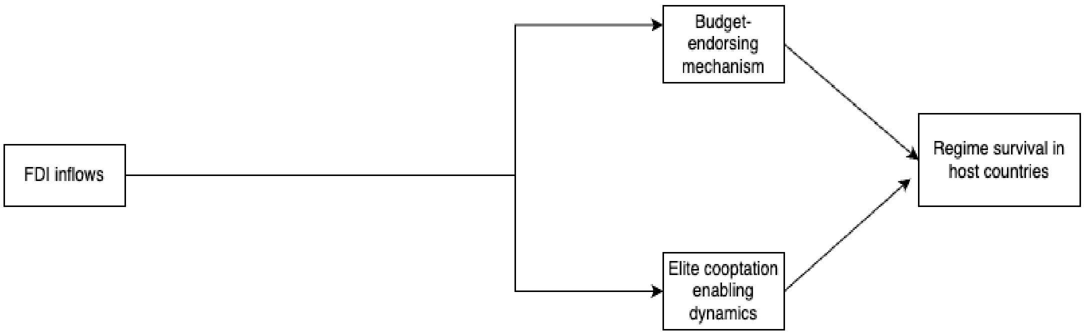

Figure 1. Budget Endorsing and Elite-Cooptation Effects of FDI on Authoritarian Resilience

This study illustrates that these two mechanisms offer insights into how authoritarian incumbents can leverage Foreign Direct Investment inflows to enhance their prospects of remaining in power. Existing studies that employ these explanations focus on the domestic political dynamics influencing the stability of authoritarian regimes. They illustrate the role of FDI in these dynamics by explaining how authoritarian incumbents may exploit FDI as a windfall income to reinforce their

[163] Escribà□Folch, "Foreign Direct Investment and the Risk of Regime Transition in Autocracies."; Bellin, "The Robustness of Authoritarianism in the Middle East: Exceptionalism in Comparative Perspective."

[164] Bak and Moon, "Foreign Direct Investment and Authoritarian Stability.", 1999

[165] Ibid.

coercion or cooptation strategies. However, this study contends that the prevailing perspective employed to elucidate the politics of FDI in authoritarian countries could be flawed due to one significant reason: It falls short of incorporating an international dimension. Put differently, the prevailing framework overlooks the political motivations of the home countries – the nations from which the investment originates – which could be crucial in understanding the connection between foreign investment and authoritarian resilience.

Alternatively, this research argues from a standpoint that underscores the geopolitical aspect of FDI and suggests that home countries may instrumentalize the investment flows as a political tool in pursuit of particular foreign policy objectives considering the host countries[166]. This argument aligns with the perspective that accentuates the significance of economic power as a critical component of state power, emphasizing the role of sovereign states in using economic tools to project political influence in the international arena[167]. In this perspective, states are able to transform their economic capabilities into political power by either instrumentalizing the public economic resources[168] or using their political resources to integrate private economic proxies into a broader political framework[169].

By acknowledging these geopolitical features attributed to the FDI, the argument follows that these political motives attributed to the FDI can function as a substantial intervening factor, interacting with the mechanisms through which FDI contributes to authoritarian survival in host countries. In other words, the motives of home countries to politicize the FDI flows have an impact on the extent and conditions under which the FDI inflows may contribute to the authoritarian resilience in host

[166] Li et al., "Foreign Direct Investment Along the Belt and Road: A Political Economy Perspective."; Sebastian and Warner, "Geopolitical Drivers of Foreign Investment in African Land and Water Resources."

[167] Gilpin, *The Political Economy of International Relations*.; Quan and Liang, "Political Relations and Chinese Outbound Direct Investment: Evidence from Firm- and Dyadic-Level Tests."

[168] Li et al., "Foreign Direct Investment Along the Belt and Road: A Political Economy Perspective."; Mehdi P Amineh and Guang Yang, "Introduction: Geopolitics of Transnationalization of Chinese National Oil Companies," *Perspectives on Global Development and Technology* 13, no. 5-6 (2014).

[169] Zhao Fei et al., "Foreign Policy in the Context of Modern Geopolitics and Its Impact on the Work of Transnational Companies in Russia" (paper presented at the E3S Web of Conferences, 2023).

countries. However, the central question remains: What specific political motives of the home nations would practically moderate this relationship? This study argues that if home nations perceive supporting the stability of the authoritarian incumbent in the host country as a salient and coherent objective that aligns with their political interests, they would be more willing to mobilize their political and economic resources to instrumentalize FDI inflows in endorsing these incumbents. This move, in turn, would render the impact of direct investments on authoritarian resilience more pronounced.

In light of this argument, the political motives of home countries may emerge in three significant stages. First, endorsing the authoritarian incumbent in a particular political regime should align with the home nations' political interests. In this sense, supporting the stability of the political regime in the host country should be considered a prominent political endeavor from the perspective of home countries, warranting attachment of sufficient importance for the mobilization of political resources. Second, the political saliency of sustaining the stability of an authoritarian regime in another country should drive the political will to formalize this issue as a key political objective in the foreign policy agenda. The significance attached to this objective would, in turn, prompt the evaluation of various policy options aimed at attaining satisfactory results. Third, while considering the various policy options, FDI flows could be appropriated as a foreign policy tool, channeled as financial support to the authoritarian incumbent intended to be endorsed.

Up to this juncture, the articulated flow of argument underscoring the intervening impact of the political motivation of the home countries can be observed in Figure 2. The drive to maintain stability in authoritarian regimes as a key political goal might lead home countries to consider direct investment flows as a significant tool in their foreign policy arsenal, seeking to offer a financial lifeline to the incumbent leaders in the host countries. This political motivation could interact with the previously outlined plausible mechanisms of FDI's contribution to supporting authoritarian resilience. However, this framework should still explain how the home nation's decision to politicize the FDI flows can transform into a solid force triggering the interaction effect. In other words, the framework needs to operationalize the employment of FDI as a foreign tool, unraveling the tangible and observable means that home nations may influence the politics of FDI in authoritarian states. The argument follows that utilizing direct investments as a foreign policy tool comes with inherent costs, necessitating the allocation of substantial economic and political resources. The noticeable indicators of the home countries' commitment of political and economic resources to utilize investment flows as a policy tool can be comprehended in two dimensions. Firstly, it involves the allocation of economic resources, manifested in the authorization of investments through state-affiliated economic entities. Secondly, it entails the mobilization of political resources to co-opt economically motivated private firms into aligning with the political agenda associated with the investment flows.

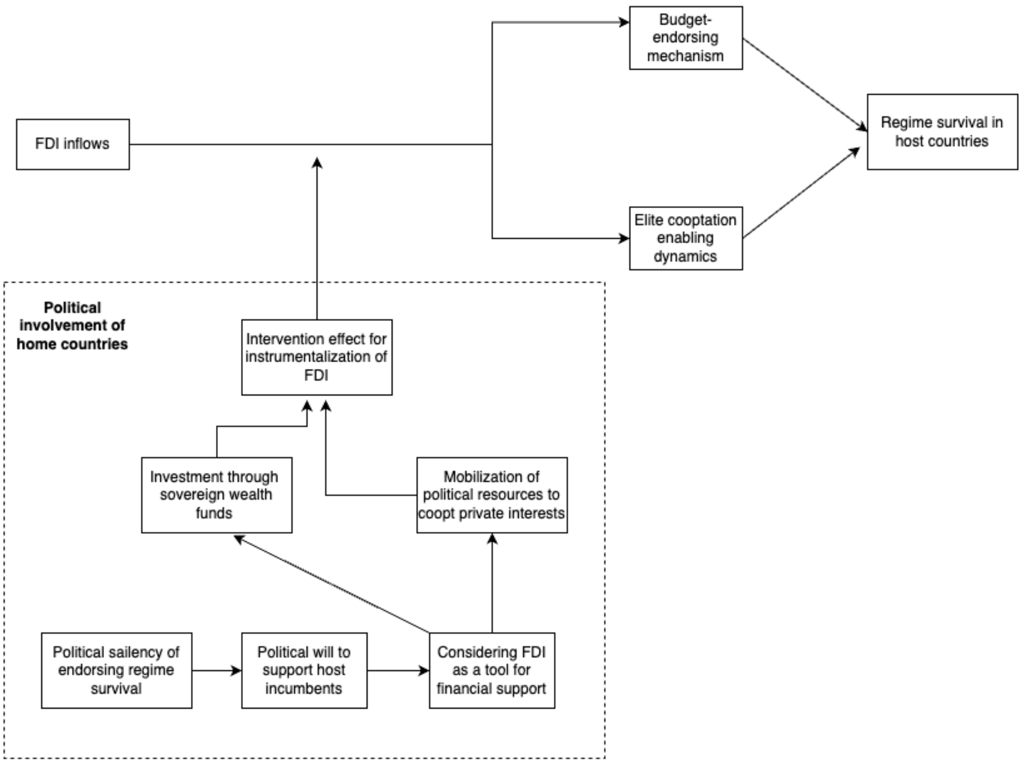

Figure 2. The modification of the existing framework through the inclusion of the intervening effect of home countries

To begin with, one tangible consequence of the home nations' instrumentalization of FDI can be grasped through the utilization of the state's existing public economic resources. This involves the direct engagement of the state with the public economic entities, and leveraging their economic prowess for bolstering the FDI's impact on authoritarian resilience through budget-endorsing and cooptation enabling mechanisms. Political leaders may adopt this strategy by empowering state-affiliated economic agents, prompting their involvement in investment relations with the host countries. One of these prominent economic agents could be the state-owned enterprises[170]. The economic decisions of the economic entities can sometimes be affected by high-politics issues, aligning with either domestic or international political agendas upheld by the political authorities[171]. In these political contexts, some states may incentivize these state-owned enterprises to adopt a transnational character and encourage them to invest in host nations in alignment with a specific political agenda[172]. In some cases, beyond incentivizing these state-owned companies, high-ranking government officials may act as representatives for these companies during negotiations with political counterparts from host countries over specific business contracts[173]. Likewise, sovereign wealth funds may constitute another source of publicly owned economic assets that could be canalized into the investment network[174]. The accumulation of the national wealth into these sovereign wealth funds positions them as formidable economic agents affiliated with the state. Even though certain sovereign wealth funds may operate with a more autonomous structure[175], exercising independent investment decisions regardless of the influence of political agents, others may succumb to the sway of political authorities[176]. In situations where political leaders are able to exert influence over the investment decisions of these funds, the available financial resources offer political leaders the

[170] Geoffrey Gertz and Miles M. Evers, "Geoeconomic Competition: Will State Capitalism Win?," *The Washington Quarterly* 43, no. 2 (2020).

[171] Cherie Canning, "Pursuit of the Pariah: Iran, Sudan and Myanmar in China's Energy Security Strategy," *Security Challenges* 3, no. 1 (2007).

[172] Weiner, "International Expansion of Russian Multinationals: A Focus on Home-Country Push Factors, Europe and Five Cee Countries."

[173] Fred Robins, "The Uniqueness of Chinese Outward Foreign Direct Investment," *Asian Business & Management* 12, no. 5 (2013).

[174] Cohen, "Sovereign Wealth Funds and National Security: The Great Tradeoff."

[175] Lee Jones and Yizheng Zou, "Rethinking the Role of State-Owned Enterprises in China's Rise," *New Political Economy* 22, no. 6 (2017).

[176] Braunstein, "Domestic Sources of Twenty-First-Century Geopolitics: Domestic Politics and Sovereign Wealth Funds in Gcc Economies."

flexibility to strategically deploy these funds in support of the specific agenda linked to the investment flows[177].

Second, the states may have the capacity to leverage their political resources in order to coopt economically motivated private firms to integrate into a political agenda associated with investment flows[178]. FDI transactions typically occur between the home and host countries, but these transactions often rely heavily on the involvement of private firms for their realization. As discussed in the literature review section of this thesis, these private firms' decisions to invest in foreign markets are predominantly affected by economic motivations, involving careful consideration of expected utility as well as political and economic costs that an investment entails[179].

Consequently, any political agenda leveraging direct investments as a political instrument may need to establish a framework that ensures alignment between political objectives and the economic interests of the private companies involved in these investments. In this framework, one of the strategies for integrating private economic interests into a politically propelled investment policy would be coopting the private firms. In this perspective, states acknowledge private business interests as a crucial aspect of foreign investment and allocate political resources to devise various policies aimed at enticing private firms to invest in the host nations' market.

To elaborate, the cooptation strategy employed by home countries encompasses policies designed to reduce the perceived costs and enhance the anticipated benefits for private firms, encouraging them to invest in host nations. One strategy for coopting business interests involves implementing policies that offer diverse economic incentives to local firms[180]. The objective of this policy is to enhance the

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[177] Young, *The Economic Statecraft of the Gulf Arab States*.

[178] Kálmán Kalotay, "How to Explain the Foreign Expansion of Russian Firms," *Journal of financial transformation* 24 (2008).

[179] Phung, "Determinants of Fdi into Developing Countries."; Dikova, Panibratov, and Veselova, "Investment Motives, Ownership Advantages and Institutional Distance: An Examination of Russian Cross-Border Acquisitions."

[180] Weiner, "International Expansion of Russian Multinationals: A Focus on Home-Country Push Factors, Europe and Five Cee Countries."; Judit Ricz, "Brazilian Companies Going Global: Home Country Push Factors of Brazilian Multinational Enterprises '(Bmnes ') Investments, General Characteristics and Tendencies of Their Investments in the European, Especially East Central

expected benefits for firms as they optimize profits, as well as signal the state's financial backing for their overseas investments. These incentives may include policies such as "tax deductions, institutional support through government agencies, proactive government counseling, ensuring avoidance of double taxation, and providing guarantees for compensation against the prevailing political risks in the host nation"[181]. Some states may also opt for extending credit support through state-owned banks[182]. Additionally, another strategy involves the deployment of diplomatic resources to ensure a sustainable and secure investment environment in the host countries for private firms originating from the home nations[183]. In this context, states may leverage their political resources on behalf of local private firms, engaging in negotiations with host nations to secure favorable foreign investment conditions[184]. These negotiations can take place through formal bilateral investment agreements[185] or oral diplomatic exchanges[186]. Through the use of political resources, home nations may aim to obtain business privileges and incentives that enhance perceived benefits for the firms. Alternatively, they may seek to mitigate political and economic risks associated with investing in host nations, thereby reducing the perceived costs of the investment[187].

In summary, the study contends that FDI inflows can play a role in supporting the survival of regimes in the host country by virtue of their budget-endorsing and

European (Ece) Region," (Institute of Economics, Centre for Economic and Regional Studies, Hungarian …, 2017).

181 Yadong Luo, Xue Qiu-Zhi, and Binjie Han, "How Emerging Market Governments Promote Outward Fdi: Experience from China," *Journal of World Business* 45, no. 1 (2010): 69.

182 Karl P. Sauvant and Victor Zitian Chen, "China's Regulatory Framework for Outward Foreign Direct Investment," *China Economic Journal* 7, no. 1 (2014).

183 Kai Li, Ming□Shien Wen, and Haoyi Jia, "How Political Risk in Host Country Affects Fdi: An Explanation for the Paradox of China's Investment Risk Preference," *Transnational Corporations Review* 14, no. 4 (2022).

184 Rodolphe Desbordes and Vincent Vicard, "Foreign Direct Investment and Bilateral Investment Treaties: An International Political Perspective," *Journal of Comparative Economics* 37, no. 3 (2009).

185 Bastiaens, "The Politics of Foreign Direct Investment in Authoritarian Regimes."

186 Quan and Liang, "Political Relations and Chinese Outbound Direct Investment: Evidence from Firm- and Dyadic-Level Tests."

187 Luo, Qiu-Zhi, and Han, "How Emerging Market Governments Promote Outward Fdi: Experience from China."

cooptation-enabling effects. Nevertheless, the strength of the positive correlation between FDI and regime survival hinges upon the political motivations of the home countries from which the FDI originates. Specifically, the argument asserts that the relationship is more pronounced when the home countries prioritize the survival of the incumbents as a crucial political objective. Put differently, the political saliency of regime survival in the host countries is a prominent intervening variable. The study attributes importance to the political impulses of the home countries because FDI is intrinsically a private flow, and incorporates private agents with profit-seeking motivations. Hence, the instrumentalization of foreign investment to achieve political objectives necessitates the mobilization of political resources to coopt and integrate economic interests into the political agenda ascribed to FDI inflow.

The need to incorporate the economic motivations of private firms into a political agenda associated with FDI carries significant theoretical implications. The politics surrounding FDI in authoritarian contexts reveals the intricate interplay of geopolitical and geoeconomic forces within foreign investment policies. On the one hand, investments originating from home nations can be strategically integrated into a political framework designed to achieve specific foreign policy objectives. In this context, investments serve as a policy tool in the arsenal of political leaders, enabling them to exert political influence in the targeted geographic areas of the investments[188]. On the other hand, this political framework does not exclude the involvement of geoeconomic motives. Given that the cooptation of private economic interests is a crucial component of politicizing investments, the politics of FDI may necessitate the deployment of political resources aimed at safeguarding and perpetuating economic objectives[189]. As a result, the formulated framework aligns with studies that do not draw a strict line between geopolitical and geoeconomic perspectives, recognizing the interconnected nature of these forces in shaping the politics of FDI in authoritarian contexts[190].

[188] Teixeira and Dias, "The Importance of Geopolitics in Firms' International Location Decisions: The Polish Case."; Zeng and Li, "Geopolitics, Nationalism, and Foreign Direct Investment: Perceptions of the China Threat and American Public Attitudes toward Chinese Fdi."

[189] Blackwill and Harris, *War by Other Means*.

[190] Young, "A New Politics of Gcc Economic Statecraft: The Case of Uae Aid and Financial Intervention in Egypt."

3.1.4. Hypotheses

The argument advanced in this study suggests that Foreign Direct Investment inflows may play a significant role in enhancing authoritarian resilience in host countries. This is primarily attributed to FDI's influence in bolstering the financial resources available to incumbents and fostering cooptation between political leaders and the ruling elite. In addition, the argument follows that the politics of FDI in authoritarian host countries would be more meaningful when international relations are taken into consideration. In this regard, the study suggests the political motives of home countries to endorse the authoritarian regime in the host nation as a substantial intervening factor. It posits that the FDI's contribution to authoritarian survival would be more pronounced when the home countries perceive the supporting survival of the incumbent in host nations as a salient political objective. This motive of the home governments interacts with the mechanisms that explain through which means FDI may contribute to host incumbents remaining in power.

The first mechanism emphasizes the FDI's budget-endorsing effect on authoritarian resilience, which refers to incumbents' procurement of direct financial benefits resulting from foreign investment. Incumbents may use these resources at their discretion to stay in power in various ways, such as buying off the political elite and strengthening the repressive apparatus of the state[191]. The study contends that one way of activating the budget-endorsing effect would be the allocation of foreign investment into local firms that are already owned or substantially invested by the host nation. Put differently, the FDI into the local firms affiliated with the government may act as a precursor for FDI's impact on authoritarian resilience through its budget-endorsing function. Thereby the following hypothesis could be formulated:

Hypothesis 1: When the stability of the political regime in the host country becomes a salient political objective for the home country, local firms with existing investments or ownership by the host government are more likely to draw increased

[191] Tomashevskiy, "Investing in Violence: Foreign Direct Investment and Coups in Authoritarian Regimes."; Escribà□Folch, "Foreign Direct Investment and the Risk of Regime Transition in Autocracies."

foreign direct investment from the home country compared to those lacking such investments.

Second, FDI may have a cooptation-enabling effect on authoritarian resilience in the host nation. In this context, FDI may bolster the clientelistic linkages between the incumbent and the political elite, especially in resource-poor countries, bestowing a financial tool upon the incumbent to cement the loyalty of the political elites to the regime. Political leaders may foster the political elite to access lucrative FDI contracts or provide a fertile political ground for politically connected firms to attract direct investment. In each case, FDI in firms that are owned or invested by the politically connected elite may serve an indirect private goods transition which may keep the political elite satisfied. From the perspective of the elite, since the political succession process is contingent and ambiguous, defection to the incumbent would be costly and risky. Therefore, FDI may function as a commitment device between the political elite and incumbents, enabling the transfer of private goods to the connected elite in exchange for their sustained political support to the leader. Consequently, the allocation of FDI to firms with political connections could be a way of triggering the FDI's contribution to authoritarian resilience by its cooptation enabling dynamics. In other words, the FDI inflows to politically connected firms could be an antecedent facilitator for FDI's contribution of reinforcing the patronage linkages. In this regard, the study formulates the following hypothesis:

Hypothesis 2: When endorsing political stability in the host nation assumes a prominent strategic imperative for the home country, local firms possessing political connections are more prone to attract additional foreign direct investment (FDI) originating from the home country compared to local firms without such political connections.

3.2. The Case

To address the formulated research puzzle, this research examines Saudi Arabia and the United Arab Emirates (UAE) originated Foreign Direct Investment into Egypt from 2000 to 2023 by employing a case study design. The reason behind the selecting Egypt as the host country under examination is related to the features of its polity. Egypt has long been characterized by the durability of authoritarian regimes[192].

Despite initial optimism for democracy following the ousting of Hosni Mubarak – who held power for three decades – in the culmination of Arab Uprisings that erupted in 2011, the transition towards democracy proved unsuccessful. Instead, Egypt witnessed a strengthening of authoritarian rule under Abdel Fattah El-Sisi, who assumed power through a military coup in 2014. Numerous scholarly works have offered diverse explanations from various perspectives to understand the resilience of the authoritarian regime in Egypt[193]. This research seeks to enhance the existing literature by investigating the influence of investment inflows, a relatively understudied factor, on the persistence of the authoritarian regime in Egypt.

In terms of the supply side of the FDI, the reason behind selecting Saudi Arabia and the UAE as the origin nations stems from three shared policy aspects. The first two can be examined through the lenses of the political economy perspective, while the third is examined from the standpoint of regional security. First and foremost, Saudi Arabia and the UAE stand out as key players in the realm of transnational state investments. Sovereign wealth funds of Saudi Arabia and UAE are among the largest of their kind in the world[194]. Through their state-owned enterprises, subsidiaries of the sovereign wealth funds, and other related entities, these nations allocated substantial capital into international business projects and companies in foreign markets, positioning their cumulative state-led overseas investments just behind those of China and Norway[195]. State-led investment arms of these nations targeted investment in companies located not only in Northern America, Europe, and Asia

[192] Freedom House, "Egypt: Country Report," (2022).

[193] Brecht De Smet, "'Authoritarian Resilience'as Passive Revolution: A Gramscian Interpretation of Counter-Revolution in Egypt," *The Journal of North African Studies* 26, no. 6 (2021).; Adly, "Politically-Embedded Cronyism: The Case of Post-Liberalization Egypt."; *Cleft Capitalism* (Stanford University Press, 2020).; Brownlee, *Democracy Prevention*.

[194] Cohen, "Sovereign Wealth Funds and National Security: The Great Tradeoff."

[195] Babić, "State Capital in a Geoeconomic World: Mapping State-Led Foreign Investment in the Global Political Economy."

regions[196], but also the firms located in the MENA region are increasingly targeted by Saudi and Emirati state-affiliated ventures[197].

Two key hallmarks of Saudi and Emirati state-led investments point to the political implications of these investments, suggesting that the political leaders of these nations may leverage investment flows as a tool in their economic statecraft[198]. One of this characteristics is that a significant portion of these transnational Saudi and Emirati state investments are aimed at acquiring controlling stakes in the invested companies, which especially operate in petrochemicals and oil products, transportation, and manufacturing sectors[199]. Saudi Arabia and the UAE, unlike countries with international sovereign wealth investments such as United States, Norway, Qatar, Singapore and Canada, tend to adopt a controlling strategy by acquiring a majority stake in the company in which they invest. This preference for international investment by the Saudis and Emiratis is similar to countries such as China, Russia, Germany and France, where the state has a significant role in the economy, or which seek to increase the role of the state in international investment. An important aspect of this investment strategy is the desire to strengthen the state's foothold in strategic sectors[200].

Another common feature of Saudi and Emirati state-led investments is that the political rules of these nations have a vast influence on the management of these economic institutions, exerting decision-making power within the institutional framework of the sovereign wealth funds[201]. To illustrate, Saudi Crown Prince Muhammad Bin Salman holds extensive control over Saudi Arabia’s sovereign

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196 Ibid.

197 Hanieh, *Money, Markets, and Monarchies*.

198 Braunstein, "Domestic Sources of Twenty-First-Century Geopolitics: Domestic Politics and Sovereign Wealth Funds in Gcc Economies."; Cohen, "Sovereign Wealth Funds and National Security: The Great Tradeoff."; Roll, "A Sovereign Wealth Fund for the Prince: Economic Reforms and Power Consolidation in Saudi Arabia."; Young, *The Economic Statecraft of the Gulf Arab States*.

199 Babić, "State Capital in a Geoeconomic World: Mapping State-Led Foreign Investment in the Global Political Economy."

200 Ibid.

201 Braunstein, "Domestic Sources of Twenty-First-Century Geopolitics: Domestic Politics and Sovereign Wealth Funds in Gcc Economies."; Roll, "A Sovereign Wealth Fund for the Prince: Economic Reforms and Power Consolidation in Saudi Arabia."

wealth fund, The Public Investment Fund (PIF), through his weight in the institution's board of directors[202]. Likewise, Tahnoun bin Zayed Al Nahyan, one of the prominent members of Abu Dhabi's ruling family, chairs the UAE's preeminent sovereign wealth fund, Abu Dhabi Investment Authority (ADIA)[203]. The availability of the vast economic resources accumulated in these funds and the autonomy of the rulers from the domestic popular pressures in the management of these business ventures provide leaders of these countries an immense opportunity to instrumentalize the economic capabilities of these institutions to attain particular political objectives in domestic[204] and international realm[205]. Second, Saudi Arabia and the United Arab Emirates are two of the important countries among the Gulf Cooperation Council (GCC) members, and their increasing economic engagement with the region through investment outflows has garnered significant academic scrutiny. Even though Saudi and Emirati investments in the Middle East region were not unheard of in the 20th century, the investment flows from these countries into the region ushered in a new momentum in the initial years of the 2000s. While the Saudi and Emirati investments in the Middle East region gained prominence gradually, political and economic drives, as well as implications of these investments, engendered academic enthusiasm among social scientists who study the region[206]. One of the reasons discussed as a propeller of the movement of capital from these countries into the region was the economic diversification policies embarked on by several GCC countries[207].

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[202] "A Sovereign Wealth Fund for the Prince: Economic Reforms and Power Consolidation in Saudi Arabia."

[203] Yousef Saba, "Abu Dhabi Shakes up Wealth Funds with Top Royals Chairing," https://www.reuters.com/world/middle-east/abu-dhabi-shakes-up-wealth-funds-with-top-royals-chairing-2023-03-09/.

[204] Victor Shih, "Tools of Survival: Sovereign Wealth Funds in Singapore and China," *Geopolitics* 14, no. 2 (2009).

[205] Roll, "A Sovereign Wealth Fund for the Prince: Economic Reforms and Power Consolidation in Saudi Arabia."

[206] Young, "A New Politics of Gcc Economic Statecraft: The Case of Uae Aid and Financial Intervention in Egypt."; Farouk, "More Than Money: Post-Mubarak Egypt, Saudi Arabia, and the Gulf."; Kamrava, *The Political Economy of Rentierism in the Persian Gulf*.; Tétreault, *Gulf Arab States' Investment of Oil Revenues*.; Mishrif, *Introduction to Economic Diversification in the Gcc Region*.

[207] Martin Hvidt, "Economic Diversification in the Gulf Arab States: Lip Service or Actual Implementation of a New Development Model?," in *Shifting Geo-Economic Power of the Gulf* (Routledge, 2016).

The initiation of economic diversification policies in GCC countries aimed at reducing their reliance on oil exports and enhancing economic stability in the face of fluctuations in oil prices[208]. The volatility in global oil prices has been one of the most important reasons why GCC countries have opted for economic diversification policies. Fluctuations in oil prices caused imbalances in all macroeconomic indicators of oil-dominated economies of GCC countries[209]. Therefore, reducing the dominance of oil has been an important policy to contain these fluctuations. Moreover, the anticipation of the eventual end of the "oil age" and the expectation that knowledge-based sectors would assume a leading role in the post-oil era provided an additional impetus for the GCC's pursuit of economic diversification[210].

Within the scope of economic diversification, the Gulf countries have invested in petrochemicals, aluminum, and steel production, as well as cement and construction materials industry sectors, where they have comparative advantages. In addition to these, the agricultural industry, real estate, tourism, aviation, and financial services have been other vital sectors focused on diversification policies[211]. In these new sectoral investments, policymakers aimed to strengthen the private sector's role and gave various incentives to embolden private entrepreneurship[212].

The Gulf Cooperation Council (GCC) implemented structural adjustments in its domestic economy concurrently with a strategic shift in the geographical and instrumental aspects of its international investments[213]. The deteriorating relations between the United States and the GCC after the 9/11 terrorist attacks in 2001, alongside increasing skepticism toward the financial systems of developed nations following the global financial crisis in 2008, led GCC countries to pivot a portion of their international investments towards the Middle East and North Africa (MENA)

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208 "Economic Diversification in Gcc Countries: Past Record and Future Trends."

209 Tim Callen et al., "Economic Diversification in the Gcc: Past, Present, and Future," *IMF staff discussion note* 14, no. 12 (2014).

210 Kamrava, *The Political Economy of Rentierism in the Persian Gulf*.

211 Hvidt, "Economic Diversification in Gcc Countries: Past Record and Future Trends."

212 Mishrif, *Introduction to Economic Diversification in the Gcc Region*.

213 Tétreault, *Gulf Arab States' Investment of Oil Revenues*., 5

region[214]. In the 2000s, investment from the Gulf region into the MENA area experienced a significant upswing. As per Lawson's findings, Saudi Arabia, the UAE, and Kuwait collectively contributed 70 percent of the total direct investments in the region during this period. A substantial portion of these investments was directed towards developing and non-GCC Arab countries like Egypt, Tunisia, and Jordan by 2006[215]. From 2003 to 2008, approximately 13% of the external resources of GCC countries were allocated to investments and capital transfers to countries within the region. This influx of capital significantly influenced the FDI portfolios of the recipient countries.[216]. During the early 2000s, the MENA region's contribution to total global FDI flows stood at less than 1 percent. However, this figure saw a notable rise to 3 percent in the subsequent years, driven by the increasing direct investments from the GCC[217]. Between 2003 and 2015, direct investments from GCC countries into non-GCC Arab nations accounted for a substantial portion, reaching 42 percent of all investments allocated during that period[218]. As one of the biggest non-GCC Arab countries in the MENA region, Egypt has particularly become a favorite destination for such capital flows originating from the GCC countries[219].

The third motivation for scrutinizing Saudi and Emirati investments in Egypt is the rising prominence of supporting authoritarian regimes in Egypt after the Arab Uprising from the standpoint of Saudi Arabia and the UAE. While Saudi Arabia and the UAE both started an economic restructuring within the country and embarked on establishing new investment ties with the MENA region, the Arab Uprising that broke out in 2011 put on a new layer to the security concerns of these countries towards the region[220]. This pivotal historical moment prompted Saudi Arabia and the

[214] Ulrichsen, *Knowledge-Based Economies in the Gcc*.

[215] Fred H Lawson, "The Persian Gulf in the Contemporary International Economy," in *The Political Economy of the Persian Gulf* (New York: Columbia University Press, 2012)., 19-20

[216] Momani and Legrenzi, "Shifting Gulf Arab Investments into the Mashreq: Underlying Political Economy Rationales?.", 168

[217] Hanieh, *Capitalism and Class in the Gulf Arab States*., 150

[218] *Money, Markets, and Monarchies*.

[219] Lawson, "The Persian Gulf in the Contemporary International Economy."

[220] Ulrichsen, *Knowledge-Based Economies in the Gcc*.

UAE to recalibrate their regional security perspectives and urged them to collaborate in a common regional policy framework. This framework was designed to address perceived threats that were deemed significant to their shared regional security concerns, compelling a strategic response to the changing landscape in the aftermath of the Arab Uprising.

Historically, these regional security concerns stem from various sources. Notably, Iran's active participation in power rivalry in the Middle East, coupled with its efforts to expand its influence in nearby countries, has long been perceived as a significant threat by Saudi Arabia and the UAE. Historical territorial disputes around the Gulf, compounded with Iran's nuclear program and its strategy to increase influence among Shiite groups in the MENA region, added complexity to the regional security landscape[221]. Additionally, the alliance between Saudi Arabia, the UAE, and the United States to counter Iran's influence further heightened tensions[222].

Alongside Iran's involvement in power rivalry through sectarian policies and support for proxy militias, the rise of radical extremism became another layer in the regional insecurity encountered by Saudi Arabia and the UAE. Particularly one of the concerning issues was the emergence of power vacuums in Yemen and Somalia, geographically close to the Gulf countries, and their impact on creating opportunities for terrorist organizations like Al Qaeda to expand their influence in the region. The transnational nature of the flow of resources and militants framed terrorism as a critical aspect of regional security from the perspective of Gulf nations[223].

Significantly, the Arab Uprisings of 2011 added further complexity to the Gulf's political and economic landscape. These uprisings posed direct threats to the incumbent regimes in Saudi Arabia and the UAE, prompting a shift in national security policies to safeguard regime stability. To address the challenges posed by the uprisings, both countries increased public spending and provided generous

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[221] Anoushiravan Ehteshami, "Security and Strategic Trends in the Middle East," in *The Transformation of the Gulf* (Routledge, 2013).

[222] Ulrichsen, *Knowledge-Based Economies in the Gcc*., 46

[223] Ibid., 49

transfer payments in an effort to appease their populations[224]. Furthermore, when the security forces in Bahrain struggled to quell protests, the Gulf Cooperation Council countries, led by Saudi Arabia and the UAE, deployed military forces to Bahrain as part of their collective response to maintain regional stability[225].

The Gulf Cooperation Council's intervention in the Bahrain protests goes beyond a demonstration of mutual cooperation within the organization. It signifies a shift where regime security evolved from being a purely domestic concern to becoming intricately connected with the security policies of other regional nations. Put differently, Saudi and Emirati leaders recognized that threats jeopardizing the stability of regimes in the region could also pose vulnerabilities to their own regime security[226]. This regionalization of regime security is evident in the responses of Saudi Arabia, Kuwait, and the UAE to political developments following the Arab Uprising. GCC nations recognized that challenges to regional regime stability extended beyond just popular uprisings; they also perceived certain political factions empowered by these uprisings as security threats. In the case of Egypt's political dynamics, Saudi Arabia and the UAE openly backed the military against Morsi, who had affiliations with the Muslim Brotherhood. Following the military coup that ousted Morsi in 2013, Gulf countries threw their support behind the newly established junta regime[227]. The Muslim Brotherhood was designated as a terrorist organization, prompting Saudi Arabia and UAE to pledge a collective effort to eliminate its activities in the region[228].

In summary, while Saudi Arabia and UAE ushered in a new momentum of investment outflows in the region and expedited the investment networks with the

[224] Hvidt, "Economic Diversification in Gcc Countries: Past Record and Future Trends."

[225] Ragab, "Beyond Money and Diplomacy: Regional Policies of Saudi Arabia and Uae after the Arab Spring."

[226] Ibid.

[227] The Sydney Morning Herald, "Saudis, Uae Pledge $8.7b in Aid for Egypt," July 10, 2013. Accessed From: https://www.smh.com.au/world/saudis-uae-pledge-87b-in-aid-for-egypt-20130710-2pp6o.html

[228] Kristian Coates Ulrichsen, *The Gulf States in International Political Economy* (2016).

crucial non-GCC Arab countries such as Egypt, Saudi Arabia, and UAE were affected by the Arab Uprising of 2013 with its concomitant impact on the political regimes in the Middle East. This major unexpected event changed the foreign policy priorities of these countries in the region and required them to act in an alliance to hedge themselves against the emerging perceived regional threats[229]. Most importantly, endorsing the security of favored political regimes in the region became a foreign policy priority for Saudi Arabia and the UAE, adopting a shared perspective to counter rising challenges[230]. In other words, the political survival of such authoritarian regimes in the Middle East region has also become a salient security concern for Saudi Arabia and the UAE.

Given the primary objectives of this research, an examination of Saudi and Emirati investments in Egypt holds particular relevance. This analysis not only aims to assess whether the emerging influx of Saudi and Emirati investments contributes to the resilience of authoritarianism in Egypt during the specified period but also serves as a valuable case study for exploring a significant intervening force articulated in the theoretical framework of this research—the political motivations of the home countries in endorsing authoritarian incumbents in the host nations. To elaborate, with the survival of authoritarian leaders becoming a prominent political objective for Saudi and Emirati leaders in the aftermath of the Arab Uprisings, the study seeks to investigate whether this pivotal moment in the region has a substantive impact on the politics of Foreign Direct Investment within the authoritarian dynamics of Egypt.

3.3. Methodology

This research adopts a mixed research design that integrates empirical approaches derived from both quantitative and qualitative methodologies. The focal point is Saudi Arabian and Emirati FDI in Egypt in both of these datasets. In order to operationalize the FDI, this study acknowledges two definitions of the FDI. One definition of FDI is coined by IMF, which defines the FDI inflows as "the net

[229] Mehran Kamrava, *Troubled Waters: Insecurity in the Persian Gulf* (2018).

[230] Ibid.; Rafeef Ziadah, "The Importance of the Saudi-Uae Alliance: Notes on Military Intervention, Aid and Investment," *Conflict, Security & Development* 19, no. 3 (2019).

inflows of investment to acquire a lasting management interest (10 percent or more of voting stock) in an enterprise operating in an economy other than that of the investor. It is the sum of equity capital, reinvestment of earnings, other long-term capital, and short-term capital as shown in the balance of payments”[231]. Another definition belongs to the World Bank, which defines FDI as follows: "investment that is made to acquire a lasting management interest (usually 10 percent of voting stock) in an enterprise operating in a country other than that of the investor (defined according to residency), the investor's purpose being an effective voice in the management of the enterprise. It is the sum of equity capital, reinvestment of earnings, other long-term capital, and short-term capital as shown in the balance of payments”[232]. In the light of these two definitions, this study operationalizes FDI in parallel to Jensen's usage: "Control over the management of the enterprise, which is usually owning more than 10 percent of the firm's shares”[233].

3.3.1. Quantitative Analysis

To conduct the quantitative analyses, the study employed a novel hand-coded dataset that subsumes shareholder structure data of more than 200 companies listed on the Egyptian Stock Exchange between 2009 and 2022. Two distinct strategies are leveraged to scrutinize shareholder structure data, aligning with the hypotheses outlined in the theoretical framework. The first strategy involves the application of statistical techniques to fit various logit panel regression models, capitalizing on the panel structure inherent in the compiled dataset. The construction of this dataset involved a meticulous examination of each listed firm on the Egyptian stock exchange. Data merging incorporated not only details regarding the presence of Saudi Arabian and Emirati investments but also various firm characteristics, including age, workforce size, government ownership, international non-GCC ownership, military ownership, and comprehensive information on the sector of investment. Following the operationalization of Foreign Direct Investment, the study

[231] Alfaro, "Foreign Direct Investment: Effects, Complementarities, and Promotion.", 5

[232] Ibid., 5

[233] Jensen, "Democratic Governance and Multinational Corporations: Political Regimes and Inflows of Foreign Direct Investment.", 588

thoroughly investigates the shareholders of the listed Egyptian companies, designating a firm as "invested by Saudi Arabian investors" or "invested by UAE investors" if the cumulative shares from these countries surpass the 10% threshold. This dataset serves as a foundation for comprehending key trends in Saudi Arabian and UAE-originated investments. Notably, the study endeavors to discern whether these trends underwent significant changes post-2011, a period marked by substantial alterations in regional security perceptions for these countries.

Second, the study adopted a network analysis approach to scrutinize the shareholder structure data sourced from the Egyptian Stock Market. The author systematically delineates the interconnections among shareholders of companies invested by Saudi and Emirati investors, thereby illustrating the relational dynamics between these investors, the invested Egyptian firms, and other shareholders within a social network.

Social networks consist of two fundamental components: nodes and edges. Nodes represent individual social entities interconnected within the network, encompassing diverse entities such as companies, states, or institutions. While networks may involve nodes representing various entities, each node must embody distinct individuality. The second constituent, termed "edges," signifies the connections or ties between nodes[234]. These edges elucidate the flow of information or resources between the interconnected nodes, with the flow potentially being unidirectional or bidirectional. Given their significance, edges serve as crucial elements in social networks, offering analytical tools to comprehend the quality of connectedness among nodes. An essential parameter frequently employed in network analysis is the calculation of the degree of networks, denoting the number of edges going out or coming in. A high degree indicates robust connectedness with other nodes, providing insights into the strength and nature of connections within the social network[235]. Consequently, edges not only quantify the connections among actors but also contribute to addressing inquiries regarding the extent of connectivity of specific

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[234] Luke, *A User's Guide to Network Analysis in R*.

[235] Henry Farrell and Abraham L Newman, "Weaponized Interdependence: How Global Economic Networks Shape State Coercion," *International Security* 44, no. 1 (2019).

node types, contextualizing relationship occurrences, evaluating connection strength, determining the inclusion or exclusion of nodes in relationships, and identifying actors' roles within the networks.

Analyzing the shareholder structures of firms invested by Saudi an Emirati actors offers two key advantages in achieving the research objectives of this study. Firstly, leveraging network analysis can provide insights into the "communities" associated with Saudi Arabian and Emirati investors[236]. Essentially, this approach allows for the identification of shareholder clusters with which Saudi Arabian and Emirati investors exhibit stronger connections. Additionally, community detection can help determine whether these investors participate in tightly-knit networks or adopt a more independent investment pattern. Secondly, network analysis allows for an inspection of the relationships between Saudi Arabian and Emirati investors and local investors. By identifying local investors linked to foreign investors, the study aims to investigate whether these local investors have political ties. This exploration seeks to ascertain whether firms benefiting from Saudi Arabian and UAE foreign direct investment (FDI) are more likely to have local shareholders with political connections.

This study operationalizes the presence or absence of political connections by following the guidelines of Faccio: "At least one of its large shareholders (anyone controlling at least 10 percent of voting shares) or one of its top officers (CEO, president, vice-president, chairman, or secretary) is a member of parliament, a minister, chief of the state, or is closely related to a top politician or party"[237]. The extent of a close relationship is also operationalized by Faccio:

“1) companies whose top executives or large shareholders have been described in the press as having a friendship with a head of state, government minister, or member of parliament; 2) connections with officials who had served as heads of state or prime

[236] Luke, *A User's Guide to Network Analysis in R*., 155

[237] Mara Faccio, "Politically Connected Firms," *The American Economic Review* 96, no. 1 (2006): 369-70; "Differences between Politically Connected and Nonconnected Firms: A Cross□Country Analysis," *Financial Management* 39, no. 3 (2010).

ministers in the past; 3) companies whose former top executives or large shareholders entered politics; and 4) connections with foreign politicians"[238]. Finally, Faccio suggests including cases as an instance of political ties if "a member of parliament serves as a company's CEO, president, vice president, or secretary, or controls at least 10% of shareholder votes"[239].

3.3.2. Qualitative Analysis

Apart from the tools of quantitative analysis, this study employed different strategies associated with qualitative methodology. First, the author adopted process tracing as an empirical strategy so as to "identify the intervening causal process between an independent variable and the outcome of the dependent variable"[240]. The analytical prowess of the process tracing strategy is that it enables scholars to examine causal processes rather than merely the causes themselves[241]. Process tracing involves placing the case in a historical context through a meticulous account of significant events that could plausibly influence changes in trajectories and trends. This approach, thereby, provides scholars with greater confidence in identifying the precise antecedent conditions and the political-sociological context within which these causal processes unfolded. Moreover, process tracing methodology underscores the importance of "sequences of independent, dependent and intervening variables[242]" and locates the causal mechanisms in a historical process instead of focusing on single events that occurred at a specific point in time. Considering these aspects, the process tracing strategy is more robust against some common problems often encountered in quantitative methodologies that rely on observational data, such as reverse causality, omitted variable bias, and selection bias[243].

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238 "Differences between Politically Connected and Nonconnected Firms: A Cross□Country Analysis.", 907

239 Ibid., 907

240 Alexander L. George and Andrew Bennett, *Case Studies and Theory Development in the Social Sciences* (2005), 206.

241 Derek Beach and Rasmus Brun Pedersen, *Process-Tracing Methods* (2019).

242 Collier, "Understanding Process Tracing," 823.

243 Ibid.

Second, this research capitalized on another data source, Saudi Arabia and UAE-originated investments in Egypt facilitated by bilateral agreements between 2000 and 2022. Essentially, this study examines state-sponsored FDI inflows from Saudi Arabia and the UAE into Egypt by analyzing established business ventures and collaborative economic projects that have emerged as a result of mutual agreements between the governments of Saudi Arabia, the UAE, and Egypt. To create the dataset, the author started with constructing a corpus of news items using the LexisNexis Academic Database. The data compilation process commenced with the collection of relevant news articles containing references to investments originating from Saudi Arabia or the UAE in Egypt. Subsequently, the author meticulously reviewed and filtered the news articles that mentioned agreements or memoranda of understandings leading to the establishment of business ventures or joint business projects from a pool of 8,500 non-duplicated news items. Finally, when examining state-sponsored investments, the author closely inspected the business actors involved in joint projects or obtained a significant controlling share in established business ventures, placing exclusive focus on their connections with the governments and influential politically connected business elites in their home and host countries.

Lastly, four experts with proven expertise in Egyptian political economy and Middle East politics were interviewed within the scope of this study. The primary purpose of these expert interviews was to obtain data in line with the objectives of the study on relatively recent issues that have only recently appeared in the academic literature, such as the diplomatic resolution of the GCC-Qatar crisis and the Israeli-Hamas war. In addition, the expert interviews were useful in clarifying the technical details of FDI in Egyptian politics and providing contextual information on the complex investment policies produced by the Egyptian state.

This qualitative chapter may complement and bolster the findings and empirical claims of the second chapter, which hinges on a quantitative methodology, in three significant ways. First, the second chapter merely concentrates on Saudi and Emirati investments in firms listed in the Egyptian stock exchange, potentially neglecting the existence of Saudi and Emirati investments in other business ventures that have chosen to remain privately held. Furthermore, Saudi and Emirati investments in the stock exchange inherently represent portfolio investments. Consequently, this chapter excludes another significant form of investment known as greenfield investments. Greenfield investments may involve the establishment of business ventures managed solely by the foreign investor or in collaboration with other foreign entities or local business partners[244]. On the other hand, this qualitative chapter encompasses Saudi and Emirati greenfield investments in Egypt to the scope of the analysis. By examining Saudi and Emirati investments in unlisted firms and their greenfield investments, the study aims to provide a more comprehensive perspective and mitigate any selection bias that could arise from excluding such companies. Especially, some politically linked companies would renounce initial public offerings since it would require sharing more information about companies' activities and balance sheets with the public. To illustrate, companies owned by the Egyptian military possess a significant market share, yet they strictly conceal the finances of military-affiliated business ventures[245]. Second, historicizing the case may contribute to understanding why certain hypotheses cannot be confirmed under the framework of quantitative research. Finally, the process tracing methodology also endorses the findings of the quantitative section of this research by responding to some alternative hypotheses. An elaborate discussion regarding the utility of the qualitative methodologies in complementing quantitative analyses will be presented in Chapter 5.

In summary, the study contends that combining inferences derived from the process tracing of the Saudi and Emirati investments in Egypt and examination of the state-sponsored investment agreements concluded between the pertinent host and home countries would offer crucial insights to understand the political implications of Saudi and Emirati FDI in Egypt. The process tracing locates the critical political moments in Saudi and Emirati FDI in Egypt within a historical context and reveals how these critical moments may contribute to alternations in FDI trends in the country. Furthermore, the analysis of the state-sponsored investments may also offer

[244] Mine Uğurlu, "Firm-Level Determinants of Foreign Investment and M&a Activity: Evidence from Turkey," in *Foreign Direct Investments: Concepts, Methodologies, Tools, and Applications* (IGI Global, 2020).

[245] Robert Springborg, "Economic Involvements of Militaries," *International Journal of Middle East Studies* 43, no. 3 (2011).

valuable insights for comprehending to what extent and by which means political entities leverage private business interests to attain particular political objectives. Using these two empirical strategies, the study aims to investigate two hypotheses, which are similar to the examined hypotheses in the quantitative analysis of this study.

CHAPTER 4

COMPANIES IN THE EGYPTIAN STOCK EXCHANGE AND SAUDI-EMIRATI FDI

4.1. Introduction

This chapter elucidates to what extent and under which specific conditions Foreign Direct Investment (FDI) could be conducive to endorsing the survival of the authoritarian political regime in the host country by relying on quantitative methodologies and a novel dataset. Among the financial flows originating from one country to another, the impact of foreign aid on the survival of the recipient regime is a meticulously studied phenomenon[246]. Nevertheless, the link between FDI and regime survival is a nascent topic of academic interest, and the theoretical propositions are recently accumulating[247]. This research delves into this link and examines the causal pathways and plausible explanations from an empirical framework.

This study places a primary focus on the flow of investment from Saudi Arabia and the United Arab Emirates (UAE) into Egypt, spanning the period from 2009 to 2022. The objective is to scrutinize whether investments from Saudi Arabia and the UAE play a role in perpetuating authoritarian rule in Egypt. This contribution is assessed by examining how these investments bolster the financial standing of the incumbents

[246] Morgenthau, "A Political Theory of Foreign Aid."; Rowe, "Aid and Coups D'état: Aspects of the Impact of American Military Assistance Programs in the Less Developed Countries."; De Mesquita et al., *The Logic of Political Survival*.; Brownlee, *Democracy Prevention*.; Bader and Faust, "Foreign Aid, Democratization, and Autocratic Survival."

[247] Bak and Moon, "Foreign Direct Investment and Authoritarian Stability."; Rommel, "Foreign Direct Investment and Political Preferences in Non-Democratic Regimes."; Azzimonti, "The Politics of Fdi Expropriation."; Chungshik Moon, "Foreign Direct Investment, Commitment Institutions, and Time Horizon: How Some Autocrats Do Better Than Others," *International Studies Quarterly* 59, no. 2 (2015).; "Political Institutions and Fdi Inflows in Autocratic Countries," *Democratization* 26, no. 7 (2019).

through budget endorsement and enable them to coopt the politically connected elite within the political regime.

Moreover, the study's design enables an exploration of whether the political motives of the home countries, particularly their vested interest in preserving the stability of the regime in the host country, exert an intervening influence on the dynamics of Foreign Direct Investment within an authoritarian regime. In the specific case under consideration, the evolving regional security notions of Saudi Arabia and the UAE in the aftermath of the Arab Uprising provide a rich context for investigating the interplay of political motivations in mechanisms that may contribute to the endurance of authoritarian incumbents. As outlined in Chapter 3, the commitment of Saudi and Emirati leaders to support the post-coup incumbents in Egypt after 2013 represents a critical moment in the political implications of Saudi and Emirati investments in Egypt. Consequently, the analysis is centered on discerning whether the hypothesized effects on FDI, particularly those related to budget endorsement and cooptation facilitation in authoritarian resilience in Egypt, manifest any significant variations before and after the military coup of 2013.

In line with the theoretical framework outlined in Chapter 3, *Hypothesis 1* examines whether FDI inflows can reinforce the budget-endorsing mechanisms in financially supporting the incumbent in the host country. The study posits that investment inflows could potentially activate the budget-endorsing mechanism by directing investment funds toward local firms that are already significantly invested in or owned by the host government. In simpler terms, the presence of firms with substantial host government ownership may act as a precursor, facilitating the contribution of FDI to augment the financial resources of the incumbents in the home nation. In this context, *Hypothesis 1* posits:

"When the stability of the political regime in the host country becomes a salient political objective for the home country, local firms with existing investments or ownership by the host government are more likely to attract increased foreign direct investment from the home country compared to those lacking such investments."

It's noteworthy to highlight that the hypothesis places specific emphasis on the perceived significance of the stability of the political regime in the host country, particularly from the standpoint of the home nations. This emphasis is crucial as the study assigns theoretical importance to the intervening effect of the political motives of the home countries in endorsing the survival of regimes in authoritarian nations. In the application of this hypothesis to the case under scrutiny, the research investigates whether Egyptian firms with investments from the Egyptian government are more prone to attract investment from Saudi Arabia and the UAE. This likelihood is particularly explored when the stability of the Egyptian incumbents becomes a political priority for Saudi Arabia and the UAE, especially in the aftermath of the military coup in 2013.

Additionally, *Hypothesis 2* examines the cooptation-enabling effects ascribed to the FDI's contribution to authoritarian resilience. The study formulates that the facilitation of cooptation-enabling dynamics by FDI may be triggered by allocating foreign investments into local firms where the politically connected elite have substantial ownership. In other words, the presence of firms with political ties may serve as an antecedent condition, facilitating the channeling of FDI funds towards the politically connected elites, thereby reinforcing their commitment to support the political regime. *Hypothesis 2* states that:

Hypothesis 2: When endorsing political stability in the host nation assumes a prominent strategic imperative for the home country, local firms possessing political connections are more prone to attract additional foreign direct investment (FDI) originating from the home country compared to local firms without such political connections.

Similar to *Hypothesis 1, Hypothesis 2* also particularly examines the political motives of the home nations by considering their commitment to sustain regime stability in authoritarian host countries as a substantial intervening force. When applying *Hypothesis 2* to Saudi and Emirati investments in Egypt, the study probes whether Egyptian firms with political connections are predisposed to attracting investment from Saudi Arabia and UAE-originated investors. This investigation is particularly relevant when the stability of the Egyptian incumbents evolves into a political objective for Saudi Arabia and the UAE, especially in the aftermath of a military coup in 2013.

To assess these hypotheses, the study employs a comprehensive dataset detailing shareholder structures and firm characteristics, employing diverse analytical approaches. Initially, exploratory data analysis is employed to discern primary trends in Saudi-Emirati investors within the Egyptian stock exchange from 2009 to 2022. Leveraging the time series cross-sectional nature of the data, the author employs panel regression models to provide an empirical illustration. Subsequently, network analysis is deployed to unveil both the quality and quantity of connections among shareholders with distinct attributes, such as Saudi-Emirati origin of the shareholder, politically connected shareholder, government-affiliated shareholder, and others. This multifaceted approach enhances the research's ability to comprehensively examine and interpret the complex dynamics at play.

4.2. Dataset

Our data consists of companies listed on the Egyptian stock exchange between 2009 and 2022. Data is compiled from three different data sources: EIKON, which is a leading financial database operated by Thomson Reuters; Bloomberg Terminal; and The Decypha, which is a Dubai-based market screening and analysis firm. Then, the collected data is merged to constitute a complete panel dataset. The number of companies observed in each year varies over time, with a minimum of 187 in 2018 and a maximum of 245 in 2021 since new companies may decide to be enlisted in Egypt's stock exchange throughout the years. Also, some companies may decide to delist from the stock exchange (See Appendix A for a list of observed companies). The composition of the companies constitutes an unbalanced panel data structure that includes 3090 observations. Furthermore, data includes 14 additional variables reflecting various firms' characteristics pertinent to the analysis.

4.3. Dependent Variable

In this section, one of the study's objectives is to explore whether significant investments from Saudi or Emirati entities in companies listed on the Egyptian Stock

Exchange are influenced by specific political connections linking these firms to Egypt's political elite or the Egyptian state. Therefore, the dependent variable in this study is a binary variable, which is the presence of Saudi or Emirati investments that constitute more than 10 percent of the given company's shares. This study acknowledges 10 percent as a critical ownership threshold according to the definition of FDI acknowledged by both the World Bank and the IMF[248]. The author conducted a comprehensive analysis of the shareholder composition for every company listed on Egypt's stock exchange. This involved gathering data on the nationality, origin, and percentage of shares held by each shareholder for each respective year under observation. If the sum of shares owned by UAE or Saudi Arabia-originated investors exceeds 10 percent of the total ownership of the company in the observed year, the company is designated as a firm with substantial Saudi or Emirati investment and coded as 1, otherwise 0 in the coding phase.

4.4. Independent Variables

This analysis employs two independent variables responding to the research goals and formulated hypotheses in this chapter. The first independent variable is the presence of shareholders with political ties in a given company in the examined year. It is a binary variable and coded as 1 if the inspection concludes that any shareholder with substantial ownership has political ties to the Egyptian incumbent or the state. In the coding phase of this independent variable, Faccio’s operationalization is utilized: "At least one of its large shareholders (anyone controlling at least 10 percent of voting shares) or one of its top officers (CEO, president, vice-president, chairman, or secretary) is a member of parliament, a minister, chief of the state, or is closely related to a top politician or party"[249]. Nevertheless, Faccio’s operationalization would need to be improved in the Egyptian case to detect the presence of political ties in examined firms. Since the Egyptian military is overwhelmingly involved in Egypt's political and economic landscape, the author contends that firms that include shareholders with close organic and political ties with the Egyptian military should

[248] Alfaro, "Foreign Direct Investment: Effects, Complementarities, and Promotion."

[249] Faccio, "Politically Connected Firms."; "Differences between Politically Connected and Nonconnected Firms: A Cross□Country Analysis.", 369

also be designated as politically tied companies[250]. In order to detect the presence of political ties in a given company in an examined year, the author utilized two strategies. First, the author reviewed the Egyptian politics literature[251] to compile a list of business people with salient political ties to the regime in the inspected year. Then, the author carefully examined the shareholder structure of each firm and each year to detect whether the name of any shareholder matched the names of politically tied business figures in the compiled list. Second, if the first strategy fails to detect politically tied shareholders, the author searched names of shareholders with substantial ownership (at least 10 percent ownership in total) in examined companies in news items published in English that are scanned and compiled by the Google engine. If news items indicate that the examined shareholder fulfills the criteria suggested by Faccio for establishing political ties, the company is coded and designated as a firm with political ties to the incumbent or the state.

The second independent variable in this study is the presence of substantial Egyptian government stakes in a given company in an examined year. The variable is also a binary variable which is coded as 1 in the presence of substantial Egyptian government ownership and 0 otherwise. In the coding phase, the author meticulously examined the shareholder structure of the enlisted firms and detected whether any shareholder could be identified as a legal state entity. If the total share of such companies exceeds the 10 percent threshold, the company is coded and designated as a firm with substantial Egyptian government ownership.

[250] Amr Adly, "Disempowerment without Expropriation: Egypt's Old Oligarchy under Sisi," *British Journal of Middle Eastern Studies* 50, no. 2 (2021).; Yezid Sayigh, "Owners of the Republic: An Anatomy of Egypt's Military Economy," (2019).

[251] Safinaz El Tarouty, *Businessmen, Clientelism, and Authoritarianism in Egypt* (2015).; Roll, "'Finance Matters!' the Influence of Financial Sector Reforms on the Development of the Entrepreneurial Elite in Egypt."; "Egypt's Business Elite after Mubarak: A Powerful Player between Generals and Brotherhood," (2013).; Roberto Roccu, "State–Business Relations in Neoliberal Egypt: The Global Political Economy of Subordinate Integration," *Routledge Handbook on Contemporary Egypt* (2021).; Adly, "Disempowerment without Expropriation: Egypt's Old Oligarchy under Sisi."; Sayigh, "Owners of the Republic: An Anatomy of Egypt's Military Economy."; Sarah Smierciak, *Cronyism and Elite Capture in Egypt* (Routledge, 2021).; Ishac Diwan, Philip Keefer, and Marc Schiffbauer, "The Mechanics, Growth Implications, and Political Economy of Crony Capitalism in Egypt," *Crony Capitalism in the Middle East: Business and Politics from Liberalization to the Arab Spring* 67 (2019).; Thomas M Begley, Naresh Khatri, and Eric WK Tsang, "Networks and Cronyism: A Social Exchange Analysis," *Asia Pacific Journal of Management* 27 (2010).; Cengiz Günay, "The New-Old Elites and Their Relations with the Eu: The Cases of Egypt and Tunisia 16 Abril 2019| Paper| Anglès."

4.5. Control Variables

In order to construct the control variables, the author collected data on the characteristics of the firms and sectors in which these Egyptian companies operate. First, to control the firms' performance, the author collected historical data on companies' annual nominal sales, net income of the firm, and Return on Assets (ROA) ratios[252]. In addition, historical data on the debt-to-equity ratio is compiled as an indicator of the debt burden of each company and included as a control variable[253]. Furthermore, the author compiled data on the other characteristics of the firms to construct control variables such as companies' age, the presence of investment originating from other Gulf Cooperation Council member countries, the presence of international non-GCC ownership, the presence of military ownership, and the sector of business. The author also included a dummy variable that codes the years before 2013 as 0 and after 2013 as 1. In this context, 2013 is taken as a significant cut-off point in the timeframe[254]. 2013 is crucial for Egyptian political history and geopolitical considerations of Saudi Arabia and the UAE. In 2013, the elected president of Egypt, Mohamad Morsi, was overthrown by a military coup that both Saudi Arabia and UAE supported. After the military coup, Saudi Arabia and UAE governments explicitly backed the election of Abdelfattah el-Sisi as Egypt's president and pledged a substantial amount of foreign aid to support the nascent regime[255]. In this regard, a dummy variable for these two time periods in the collected data (before and after 2013) would help to pinpoint the intervening effect of the political motivation of home countries on the hypothesized contribution of FDI to regime endorsement.

4.6. Dealing with missing data

Due to the high proportion of missingness in net income, ROA, debt/equity ratio, and sales variables (17%, 19%, 25%, and 34%, respectively), missing data is imputed to

[252] Gül Berna Özcan and Umut Gündüz, "Political Connectedness and Business Performance: Evidence from Turkish Industry Rankings," *Business and Politics* 17, no. 1 (2015).

[253] Ibid.

[254] Kamrava, *Troubled Waters: Insecurity in the Persian Gulf*.

[255] Ziadah, "The Importance of the Saudi-Uae Alliance: Notes on Military Intervention, Aid and Investment."

prevent bias from the null values. The author suspects that missingness in this data is entirely at random (MCAR). Some companies may fail to report statistics related to their operations due to certain observed and unobserved factors. To illustrate, companies without government investments are more likely to report ROA and income statistics. Other unobserved factors are also likely to influence the missingness in the data. MCAR test also rejects the hypothesis that missing data is MCAR. The author uses multiple imputation methods with the assistance of the MICE package in R to impute the missing data. The primary imputation method is the classification and regression trees (CART) algorithm[256]. The steps of the imputation methodology are elaborated in the Appendix B section.

4.7. Scope of Saudi Arabian and Emirati investment in years

Data indicates that companies listed on the Egyptian stock exchange achieved to attract Saudi Arabian and Emirati investors throughout the examined years. As can be seen in Figure 1, the appetite of Saudi and Emirati investors in Egyptian firms increased over time even though the pace of investment stagnated in specific years. Whereas approximately 15 % of all listed companies in the Egyptian stock exchange had substantial Saudi Arabian or Emirati investment in 2009, this figure almost doubled in 2022. The number of companies in Saudi Arabia and UAE-originated investors who invested in at least 10 percent of the shares constantly increased from 2009 to 2022. As can be seen in Figure 2, the total number of firms with Saudi or Emirati investments increased by more than 100 percent. Whereas only 28 of the firms had at least 10 percent Saudi Arabian and Emirati investment in 2009, this figure increased to 73 in 2022. Even though the increment in the number of investment firms stalled during the transition years between 2011 and 2004, the data pinpoints a steep increase, especially after 2016.

On the other hand, the increasing appetite for Egyptian firms listed on the stock exchange is not unique to investors originating from Saudi Arabia and the UAE. Data reveals that the number of firms with international investment also doubled

[256] Stef Van Buuren, *Flexible Imputation of Missing Data, Second Edition* (CRC Press, 2018).

from 2009 to 2022. Nevertheless, as can be seen in Figure 3, the increase in Saudi and Emirati interest in Egyptian firms is more substantial and voluminous than other international investments since the total number of firms with international investments saliently lags behind the number of firms with Saudi Arabian and Emirati investments, which almost doubles the former's figure. In addition, another distinction between Saudi-Emirati investment and other international investments is that even though the number of companies with international investment steeply increased between 2013 and 2016, this trend slowed down and decreased after 2016. However, the number of firms with Saudi and Emirati investments increased even further after 2017, overshadowing all other stagnated international investments. In parallel to the number of invested firms, the total investment stocks of Saudi Arabian and Emirati investors in the Egyptian stock exchange increased in the last decade. As shown in Figure 4, even though the stock value of total investments decreased in 2011 and stagnated until 2013, an increasing trend can be observed after 2013. After a swift decrease in investments from 2010 to 2011, the total investments recovered after 2014 and peaked in 2021.

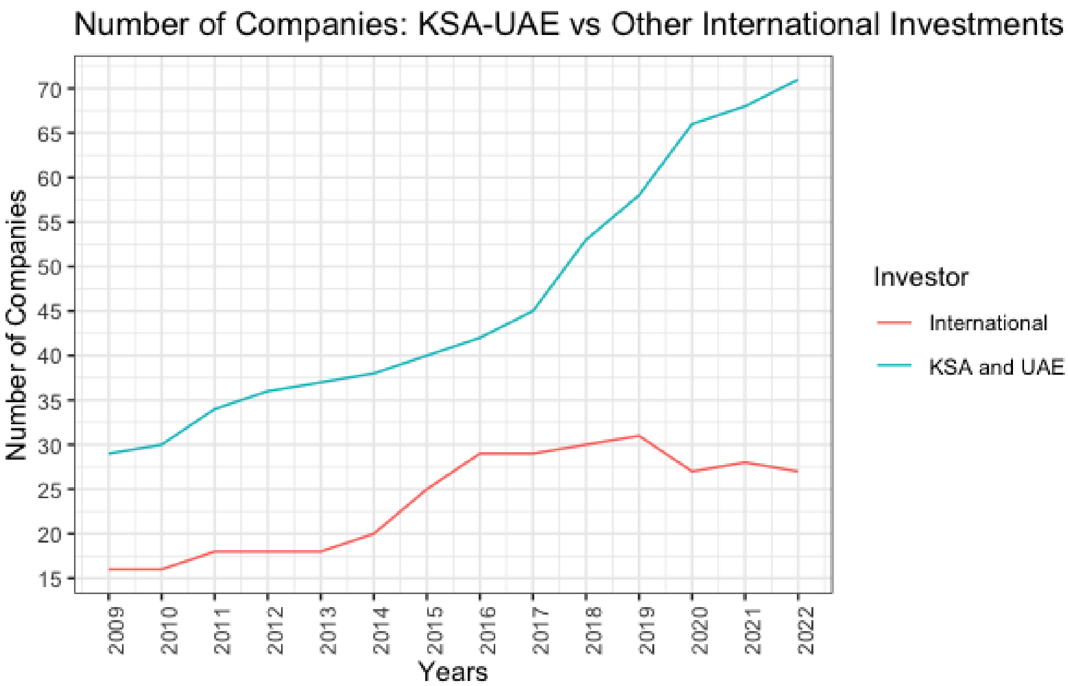

Figure 3. Number of companies with Saudi Arabia and UAE investments and other international investments with at least a 10 % threshold

In sum, data on the number of Egyptian companies with Saudi and Emirati investments and the total investment stocks of Saudi and Emirati investors reveal complementary trends in the flow of direct investment. Undoubtedly, Saudi and Emirati investors are significant actors in the Egyptian stock exchange, and their domain of influence dwarfs other international investors.

Most importantly, the investment trends of these countries suggest that political developments may affect the inflow of FDI to Egypt. Years in which investments slowed down correspond to the incumbency of Mohamad Morsi, whose incumbency is not welcomed by leaders in Saudi Arabia and the UAE[257]. After the overthrow of Morsi by a military coup in 2013, Saudi and Emirati interests in listed firms increased, and the inflow of direct investments accelerated after the election of el-Sisi as president. This investment trend after the military coup is considerable due to two reasons.

Firstly, although Saudi and Emirati investments and other international investments in the Egyptian stock market have shown similar ups and downs in the face of political events in Egypt, this trend has started to diverge, especially after 2016. While international investments in the Egyptian stock market remained stagnant after 2016, the enthusiasm of Saudi and Emirati investors for Egyptian firms experienced a significant surge. Furthermore, the rise in Saudi and Emirati FDI aligns with an increase in the foreign aid provided by these countries to Egypt.[258]. Saudi and Emirati leaders utilized foreign aid to support the Sisi regime after the coup, and they regarded FDI as a complementary financial flow to support the "development of Egypt"[259]. Thereby, both the divergence of Saudi and Emirati FDI from other international investments after the military coup, as well as the similar trajectory of Saudi-Emirati FDI and foreign aid, present clues that Saudi and Emirati FDI may have significant political implications.

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[257] Kamrava, *Troubled Waters: Insecurity in the Persian Gulf.*

[258] Logan Cochrane, "The United Arab Emirates as a Global Donor: What a Decade of Foreign Aid Data Transparency Reveals," *Development studies research* 8, no. 1 (2021).; Ziadah, "The Importance of the Saudi-Uae Alliance: Notes on Military Intervention, Aid and Investment."

[259] Al-Masry Al-Youm, "Arab Aid to Egypt Will Not Last Long, Uae Minister Warns," *Al-Masry Al-Youm* October 27, 2013.

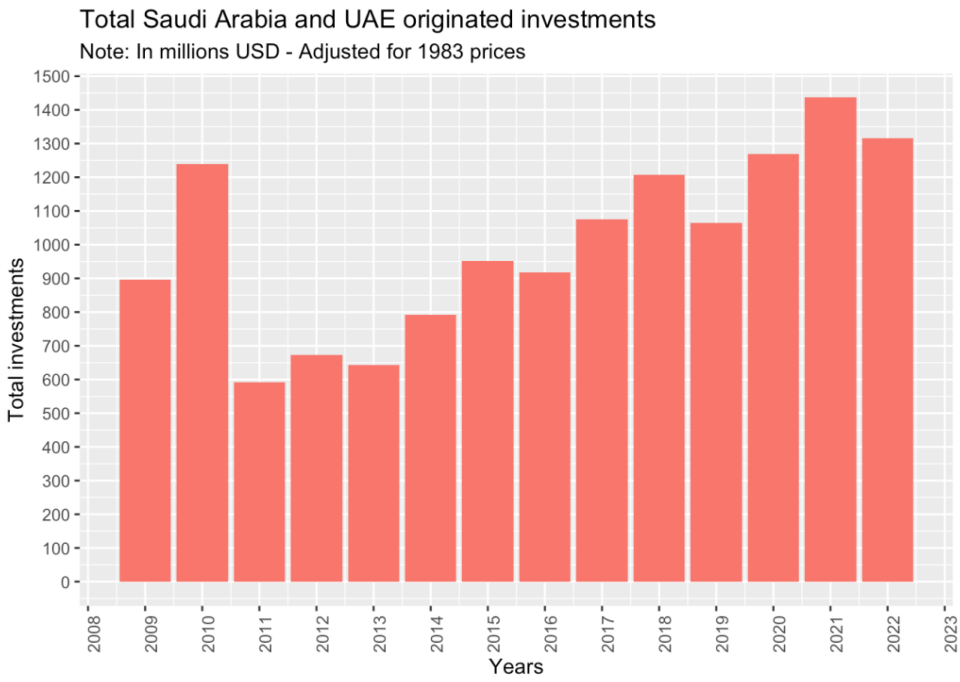

Figure 4. Total Saudi Arabia and UAE originated Investments Stock in firms listed on the Egypt Stock Exchange (In 1983 USD prices)

4.8. Exploratory Data Analysis

4.8.1. Government Ownership and Saudi-Emirati Investments

The first hypothesis in this research propounds that Egyptian firms with a significant Egyptian government investment are more likely to attract investment from Saudi Arabian and Emirati investors. The aim of this hypothesis is to investigate whether FDI could contribute to the survival of the political regime in the host country by strengthening the financial base of the incumbents by providing direct resources at the incumbent's discretion. Nevertheless, exploratory data analysis on our constructed dataset sheds doubts on the validity of this hypothesis. As seen in Figure 5, considering all observed years, graphs indicate that Saudi Arabia and UAE-originated investors are more likely to invest in firms that do not contain significant government investment. Data shows that approximately 38 % of firms without any government investment achieved to attract Saudi Arabian or Emirati-originated investment in comparison to 28 % of firms in which government investment is present.

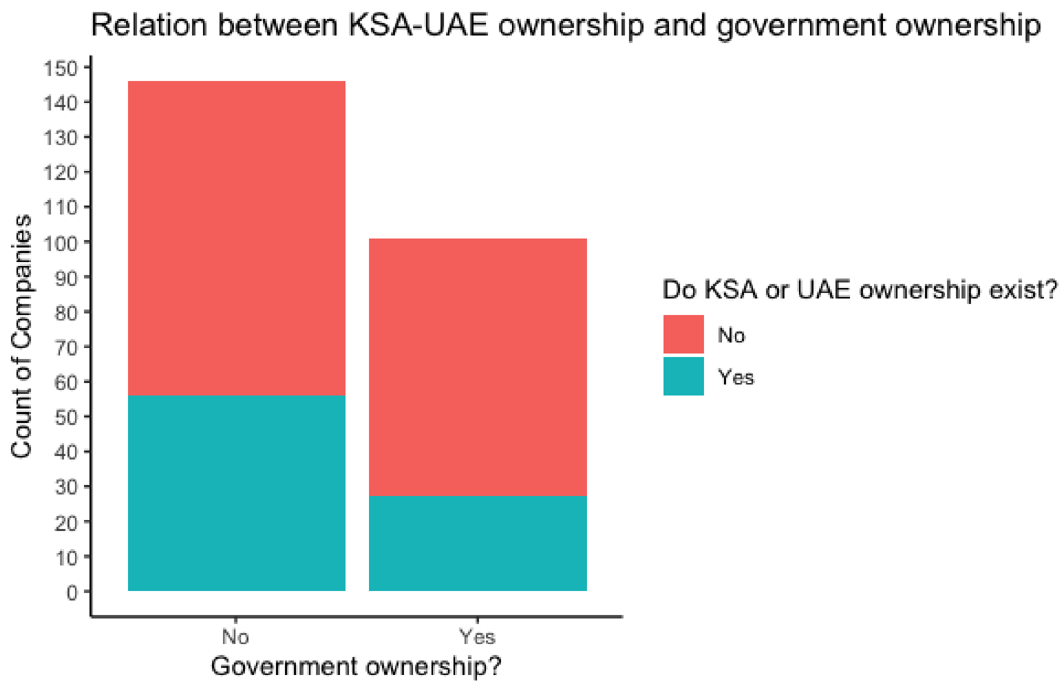

Figure 5. The nexus between the Egyptian government's investments and Saudi-Emirati investments

Looking at the data by observed years also underpins the intuition reached in previous graphs. As can be seen in Figure 6, data show that even though the number of companies with Saudi Arabia or UAE-originated investments increased throughout the years (and more than doubled from 2009 to 2022), the shares of government-invested firms among these Saudi Arabian and UAE invested firms do not increase, rather it slightly decreases in time. Furthermore, when we account for the total amount of investment stock in US dollars adjusted for 1983 prices, data reveal that most of the Saudi Arabia and UAE-originated investments are directed to firms without any significant government investment. In other words, in terms of the amount of funds invested in Egyptian stock exchanges, firms with no significant government investment are more advantageous. Exploratory analysis suggests that most Saudi and Emirati investments go to companies where the Egyptian government does not have any profound investment. Therefore, prevailing data cannot empirically support *Hypothesis 1* (H1). The author explains why we came across these controversial results by referring to various alternative explanations in the following sections.

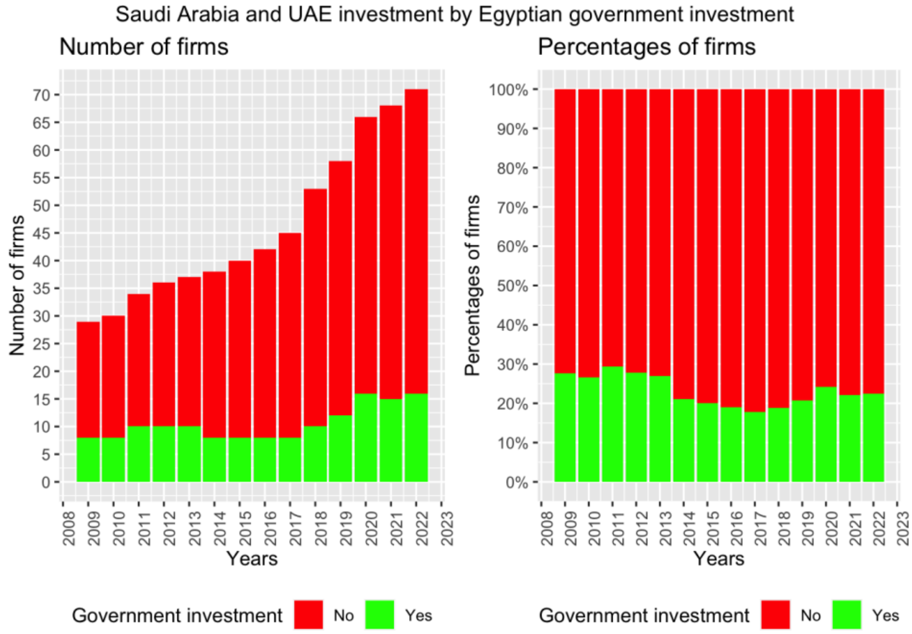

Figure 6. The nexus between the Egyptian government's investments and Saudi-Emirati investments by years

4.8.2. Saudi-Emirati investments in politically connected firms in the Egyptian Stock Exchange

The second central hypothesis in this research is that firms with political ties are more likely to attract investment from Saudi and Emirati investors in comparison to firms without any political ties. The intuition behind this hypothesis is that investing in firms with political ties may indirectly support the political survival prospects of the political regime by strengthening the tacit bargain between the political elite and the incumbent. Since FDI may act as a commitment device that contributes to the maintenance of clientelistic linkages between political leaders and elites, investing in firms that are owned or substantially invested by political elites could be conducive to thwarting elite defections and prolonging the life of the political regime[260].

The insights derived from the exploratory analysis of the data may shed some support for the second hypothesis in the study. As can be seen in Figure 7, when we account for all observed years, data reveal that Saudi Arabian and Emirati investors

[260] Bak and Moon, "Foreign Direct Investment and Authoritarian Stability."; Tomashevskiy, "Investing in Violence: Foreign Direct Investment and Coups in Authoritarian Regimes."

are more prone to invest in firms that are also invested by the civilian or military politically connected shareholders. The graph on the right of Figure 7 shows that more than 60 % of the firms with significant political connections also contain a significant level of investment from Saudi Arabia or UAE-originated investors. In contrast, only 24 % of firms with no political ties achieved attracting Saudi Arabia or UAE-originated investment.

Temporal analysis of the data also indicates that Saudi and Emirati interest in politically tied companies increased over time. When we look at the data through the observed years, the proportion of firms with both political connections and Saudi Arabian-Emirati investment constantly increased. In 2009, merely 2% of the enlisted firms in the Egyptian stock exchange contained both Saudi-Emirati investments and political connections. Nevertheless, this figure rose to 15% in 2022.

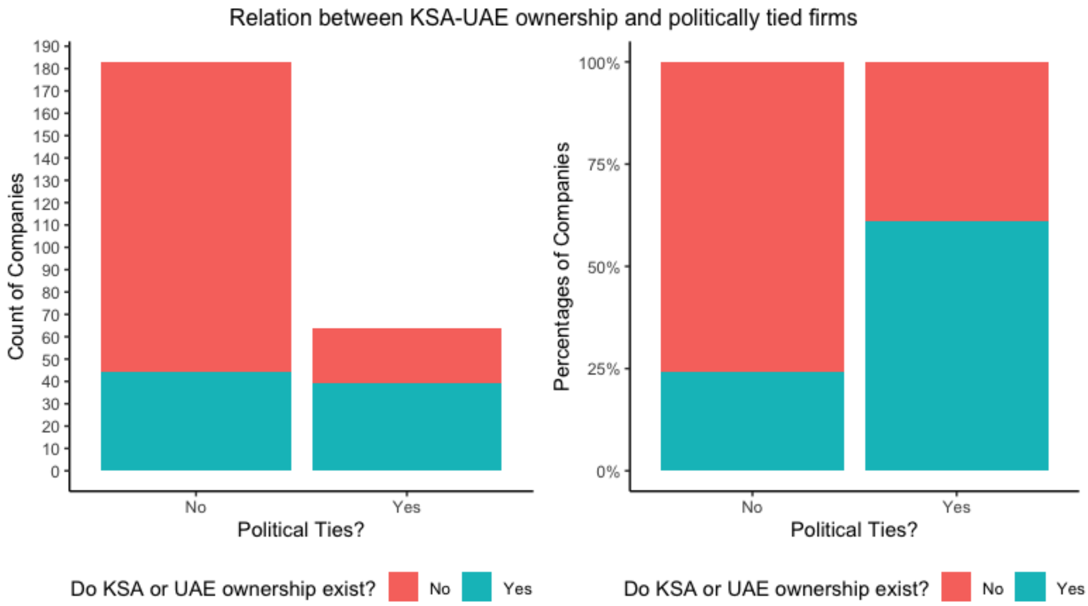

Figure 7. Saudi-Emirati investments and politically connected companies

Furthermore, temporal analysis of the data becomes interesting when we take a specific date as a crucial cut-off point in investment trends of Saudi Arabia and UAE between 2009 and 2022. The analysis indicates that when we account for the presence of political connections and Saudi Arabian-UAE investment before and after 2013, in which significant political turmoil changed the political configuration of power in Egyptian politics, the interpretation of the data offers another intuition. As indicated in the graph on the right of Figure 8, we can see that before 2013, there was not much difference between political connections and Saudi Arabia or UAE-originated investment since Saudi Arabian and Emirati investors seemed indifferent to the presence of political connections in the invested firms. However, after 2013, we can observe a significant difference between the firms with and without political connections regarding the presence of Saudi Arabian or Emirati investment. Figure 8 suggests that after 2013, Saudi Arabian and Emirati firms are more likely to invest in firms with a presence of politically tied local shareholders.

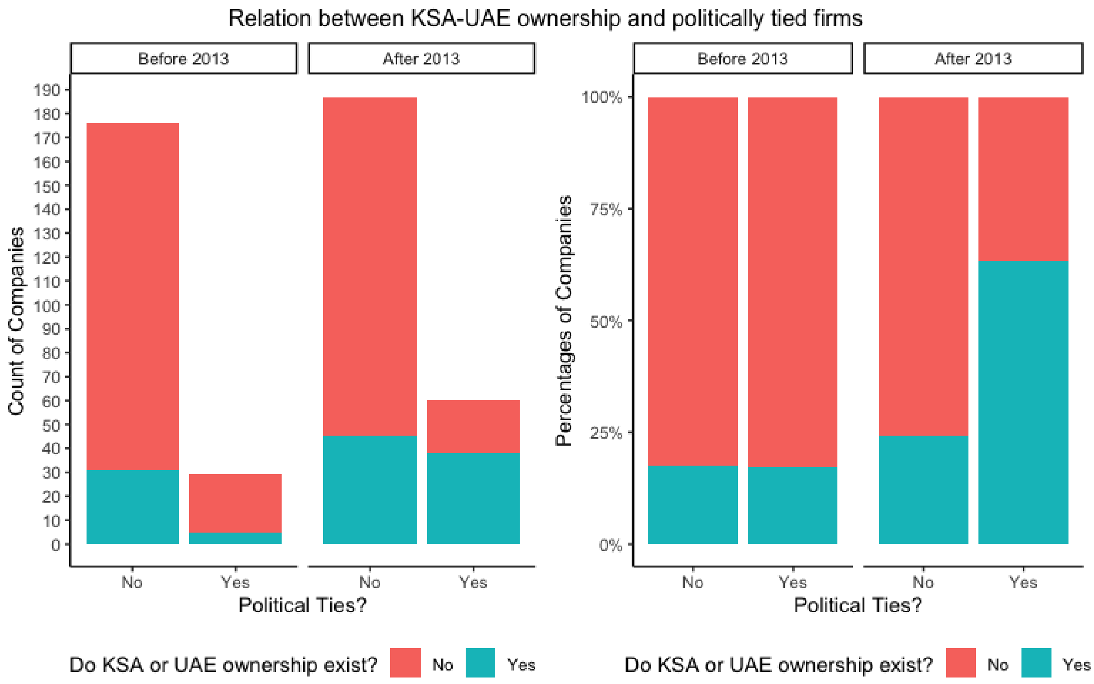

Figure 8. Saudi-Emirati investments and politically connected companies before and after 2013

In addition to the analysis conducted with the number of companies in which Saudi and Emirati invest, data points to a similar intuition when the study focuses on the total investment stock from Saudi and Emirati investors for each year. Figure 9 shows the proportion of politically connected companies in the total Saudi and Emirati investment stock (in US dollars adjusted for 1983 prices) by the observed year. As can be seen in the figure, more FDI was allocated to firms with political connections in the era after 2013. Especially graph indicates that after 2016, politically connected Egyptian firms were more successful in attracting Saudi and Emirati investors in terms of the value of the investment. In this regard, this graph underlines the significance of 2013 as a cut-off point in the timeframe of Saudi and Emirati investment and underpins the argument that being a politically connected firm would effectively attract investment from Saudi Arabia and UAE after 2013.

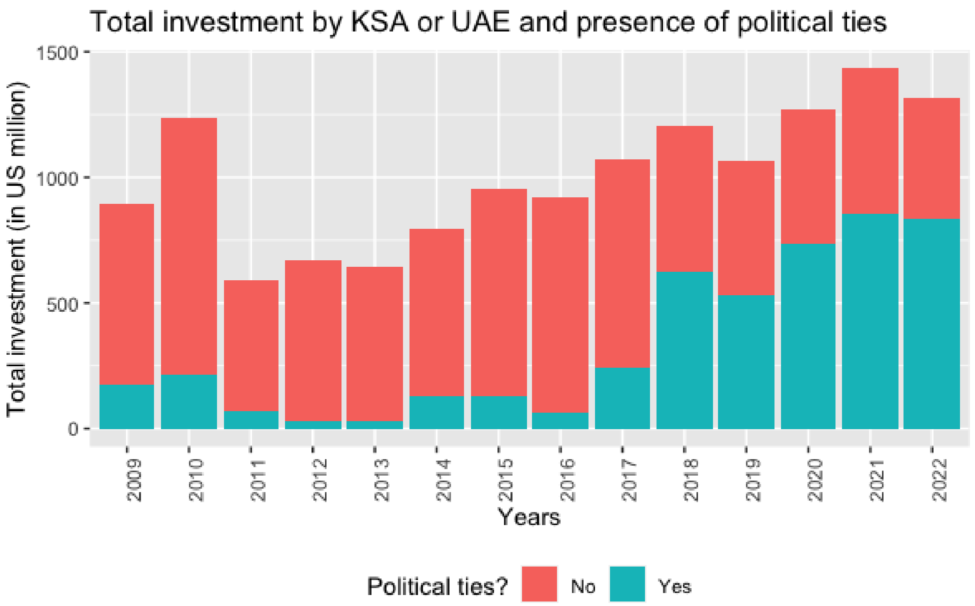

Figure 9. Saudi and Emirati investment stock value by years (2009-2022)

Finally, in order to understand whether the proclivity to invest in politically connected firms is an exclusive trend for only Saudi Arabian or Emirati-originated FDI in the Egyptian stock market or whether this inclination can be observed in other international investors, the author also analyzed the international investments' sensitivity to the presence of political connections. When we look at the graph on the left in Figure 10, we can observe that international investments are also more inclined to invest in firms with political connections after 2013, even though this difference may not be significantly greater than Saudi Arabia and Emirati's disposition to invest in politically connected firms. Nevertheless, it should be noted that Saudi Arabia or UAE-originated investors may also invest in firms that include shareholders from other international investors. Therefore, one portion of the observed effect can be accounted for by the presence of Saudi Arabian and Emirati investment. When we filter out these firms, which include both international and

Saudi Arabian-Emirati investors, as can be seen in the graph on the right in Figure 10, we can see not much difference between firms with or without political connections. Therefore, these two graphs suggest that FDI's sensitivity and disposition to politically connected firms are particularly pertinent to Saudi Arabia and UAE-originated investment in the Egyptian stock exchange.

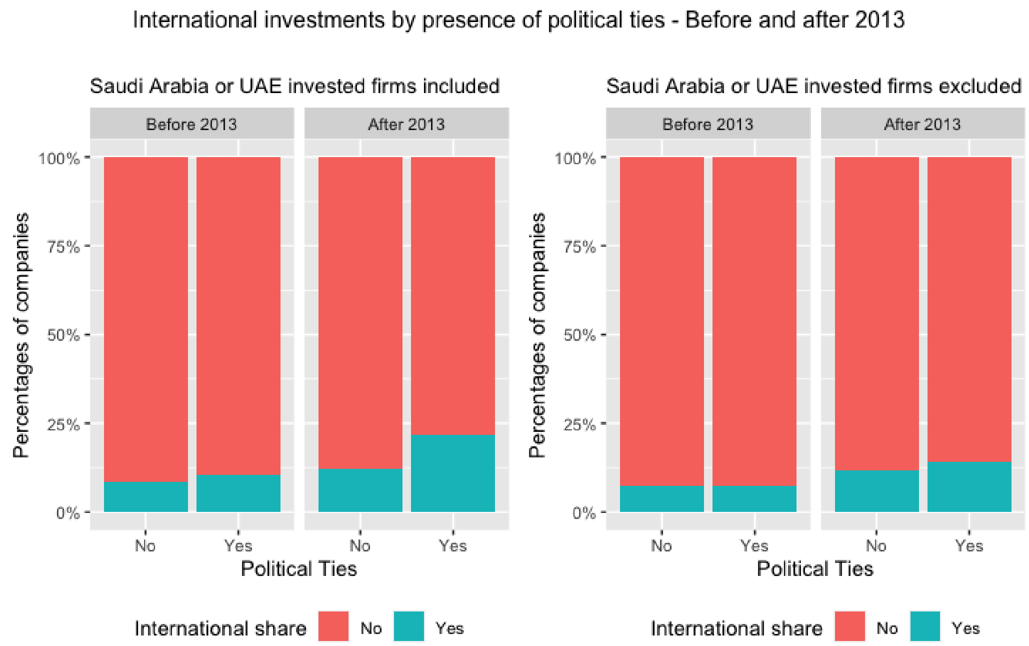

Figure 10. International Investments by presence political connections before and after 2013

4.9. Panel Regression Analysis

4.9.1. Estimation of the Models

In order to check the validity of the insights derived from the exploratory analysis of the compiled data, this study resorts to statistical techniques to test the main hypotheses of the research. This study employs two models to investigate the political implications of Saudi and Emirati FDI in terms of the inflow of investments' possible contribution to regime survival in Egypt. The first model is a logit fixed effects model in which the dependent variable is binary: The presence of Saudi or Emirati investment whose ownership exceeds 10% of all shares of the given firm. Independent variables are the presence of political ties in a given firm and the presence of significant government ownership/investment in a given firm. Both of the independent variables are coded as binary variables and lagged one year before being included in the estimation to mitigate the endogeneity concerns. In addition to the independent variable, control variables which reveal firms' characteristics, performance indicators, debt indicators, and presence of international and other GCC investment, are included in the model. Furthermore, a dummy variable that indicates whether an observed year is before or after 2013 is included. Model 1 can be formulated as follows:

$$KSA\_UAEit=\beta0+\beta1\times Government[i,t-1]+\beta2\times PoliticalTies[i,t-1]+\beta3 \times OtherGCC[i,t]+\beta4\times International[i,t]+\beta5\times ROA[i,t]+\beta6\times debt[i,t]+\beta7 \times CompanyAge[i,t]+\beta8\times NetIncome[i,t]+\beta9\times Sales[i,t]+\beta10\times After2013[i,t]+\beta11 \times Sector[i,t]+u[i,t]+TimeFixedEffects$$

In this model, *KSA_UAEit* indicates the presence of Saudi or Emirati investments that constitute more than 10 percent of company *i* in year *t*; *PoliticalTies[i,t−1]* refers to the presence of political ties in company *i* in year *t-1* (Hypothesis 2); *Government[i,t−1]* measures the presence of Egyptian government's investment in company *i* in year *t-1* (Hypothesis 1); other variables indicates the control variables for each company in each observed year; *TimeFixedEffects* stands for time-fixed effects; and *u[i,t]* is the error term.

Due to the cross-sectional nature of the hypothesis in this research, time-fixed effects are included in the model instead of entity or two-way fixed effects. The study is primarily interested in variation between the companies rather than year-to-year changes in Saudi and Emirati investors' ownership patterns within each observed firm. Hence, retaining between-firm variation is crucial for establishing a meaningful link between empirical findings and the theoretical claims of this study. In this context, time-fixed effects are a powerful tool for alleviating omitted variable bias by eliminating observable and unobservable factors that change over the observed years but are constant over the entities, which are Egyptian firms[261]. Nevertheless, entity-

[261] Jeffrey M. Wooldridge, *Introductory Econometrics: A Modern Approach* (Cengage Learning, 2013).

fixed effects and two-way fixed effects models are estimated, and their results are discussed in the robustness check section of the chapter. Even though their inclusion into the model may change the nature of the question in this research and affect the interpretation of the models, they do not significantly change the major conclusions of the analysis. Finally, due to possible autocorrelation and heteroscedasticity in the model, the author ran the model with robust standard errors.

Model 2 is similar to the first model except for one significant difference: The inclusion of an interaction term for the presence of political ties and the before/after 2013 dummy variable. By adding this term to the model, the author aims to capture whether the political connectedness of the enlisted firm before 2013 or after 2013 makes any difference in accounting for Saudi Arabian-Emirati investment into the invested company. In other words, this interaction term explains how Saudi Arabian and Emirati investments are sensitive to the presence or absence of political connections in the invested company before or after 2013. In the explanatory data analysis, we can see that there is an observable difference between Saudi Arabian-Emirati investments' disposition to politically connected firms before and after 2013. As can be seen in Figure 6, the proportion of the Saudi and Emirati invested firms with the presence of political ties changes whether an investment is recorded before or after 2013. In a similar trajectory of this visualization, the interaction terms are conducive to understanding whether the explanatory prowess of an independent variable in this study (presence of political ties) on the presence of Saudi and Emirati investment varies with respect to before and after 2013 as the date of investment. Model 2 can be formulated as follows:

$$KSA\_UAEit=\beta 0+\beta 1\times Government[i,t-1]+\beta 2\times PoliticalTies[i,t-1]+\beta 3 \times OtherGCC[i,t]+\beta 4\times International[i,t]+\beta 5\times ROA[i,t]+\beta 6\times debt[i,t]+\beta 7 \times CompanyAge[i,t]+\beta 8\times NetIncome[i,t]+\beta 9\times Sales[i,t]+\beta 10\times After2013[i,t]+\beta 11 \times Sector[i,t] + \beta 12\times PoliticalTies[i,t-1] \times After2013[i,t] + u[i,t] + TimeFixedEffects$$

The result of Model 1 can be seen in the first column of Table 1. Results of the first model indicate a positive and statistically significant relationship between the presence of political ties and Saudi Arabian-Emirati investment in the firms enlisted in the Egyptian stock exchange. This result affirms the findings acquired through the exploratory data analysis. In other words, Saudi Arabian and UAE-originated investors are more likely to invest in firms that are politically connected to the incumbent or Egyptian military. The coefficient of the pertinent variable suggests that if the Egyptian firm obtains political ties, the odds of acquiring a significant level of Saudi and Emirati investment increase approximately 2.5 times. In terms of the probabilistic perspective, the result of the model indicates that if an Egyptian firm has political connections, the probability of being invested by Saudi and Emirati investors increases by approximately 70%. This increase signifies a significant improvement in the probability of attracting investors from Saudi Arabia or UAE-originated investors if the listed Egyptian firm contains a politically connected local investor among the shareholders. On the other hand, contrary to the preposition of *Hypothesis 1* of this study, the result indicates that there is a negative relationship between government investment in Egyptian firms and Saudi Arabian and Emirati investment, and this relationship is statistically significant. In other words, Saudi Arabian and UAE-originated investors are less likely to invest in firms that also contain significant government ownership. The coefficient of the pertinent variable suggests that if an Egyptian firm already contains a significant government investment, the probability of being invested by Saudi and Emirati investors decreases by approximately 32 percent. This figure signifies a considerable reduction and sheds doubts on the validity of one of the hypotheses in this research since the hypothesis expected an opposite and significant relationship. In the discussion section of this chapter, the author discusses possible alternative explanations for why the estimation reveals an unexpected relationship.

Model 2 differs slightly from Model 1 since it contains an interaction term that accounts for the explanatory power of elite ownership before and after 2013. Nevertheless, the inclusion of the interaction term has a tremendous impact on the interpretation of the results. With the inclusion of the interaction term, coefficients of the pertinent explanatory variable cannot be interpreted independently of the coefficient of the interaction term. As can be seen in the right column of Table 1, the coefficient of the political connectedness variable is negative (-0.353) though it is not statistically significant. The findings suggest that before 2013, politically connected firms were less likely to be invested by Saudi or Emirati investors. Indeed, the coefficient suggests that this insight contradicts the interpretation of Model 1, which indicates a clear positive relationship between the presence of political ties and Saudi/Emirati investment. However, the interaction term in the Model 2 is positive (1.566), and it is statistically significant. In order to interpret the effect of having political ties on Saudi and Emirati investment, coefficients of interaction term and explanatory term for political connectedness should be added up and converted to odd ratio terms. In this regard, adding the interaction term to the model suggests that the embodiment of a politically connected shareholder into an Egyptian firm increases the probability of being invested by Saudi and Emirati investors by approximately 77 percent for the observed years after 2013. In other words, interaction terms reveal a conditional effect for the impact of having political ties in Egyptian firms on the probability of attracting investment from Saudi and Emirati investors. Political connectedness significantly improves the odds of recording a direct investment flow from Saudi Arabia and UAE-originated investment only if the political connection is observed after 2013. The same effect is not present and not significant before 2013 for the observed firms in the dataset. On the other hand, the interpretation of the relationship between the presence of government investment and Saudi-Emirati investment does not change with respect to Model 1, and the results reveal a negative and statistically significant relationship contrary to the expectations of this research.

Table 1. Results of the Models

Dependent variable: Presence of Saudi Arabian or Emirati investment which owns more than 10% of all shares of observed each company

	Model 1	**Model 2 (Interaction Term)**
Presence of political ties	0.942***	-0.353
	(0.199)	(0.207)
Presence of government investment	-0.752***	-0.743***
	(0.075)	(0.076)
Political Ties X After 2013 (Interaction Term)		1.566***
		(0.265)
After 2013 (dummy variable)	0.899	0.723
	(0.990)	(0.964)
Presence of other GCC investment	-0.867***	-0.850***
	(0.108)	(0.108)

Table 1. (continued)

Presence of international investment	0.349***	0.348***
	(0.093)	(0.089)
ROA	-0.001	-0.016
	(0.041)	(0.044)
Debt ratio	0.085**	0.085**
	(0.033)	(0.031)
Company's age	-0.149***	-0.173***
	(0.034)	(0.042)
Net income	0.086	0.107
	(0.087)	(0.080)
Sales	-0.220***	-0.231***
	(0.057)	(0.057)
Factor: Consumer Goods	1.715***	1.728***
	(0.137)	(0.137)
Factor: Consumer Services	1.024***	1.048***
	(0.170)	(0.168)
Factor: Financials	1.863***	1.872***
	(0.154)	(0.158)
Factor: Health Care	1.616***	1.638***
	(0.263)	(0.263)
Factor: Industrials	1.063***	1.080***
	(0.049)	(0.052)
Factor: Oil & Gas	0.585	0.625
	(0.625)	(0.631)
Factor: Technology	-0.847	-0.835
	(0.739)	(0.743)
Factor: Telecommunications	-13.578***	-13.607***
	(0.195)	(0.159)
Factor: Utilities	-13.074***	-13.069***
	(0.200)	(0.176)
Num.Obs.	2602	2602
AIC	2393.0	2376.4
BIC	2580.7	2569.9
RMSE	0.38	0.38
Log-Likelihood[262]	-1,164.5	-1,155.2
Std.Errors	Clustered	Clustered

[262] Likelihood Ratio test is conducted to compare goodness of the fit of a null model (model with no independent variables) and the model with independent variables (Model 1). The test statistic was 278.85 with 2 degrees of freedom, and the associated p-value was very small ($p < 0.05$), indicating a significant improvement in model fit with the inclusion of independent variables. Then, another Likelihood Ratio test is performed to test whether goodness of fit improve with the addition of the interaction term (Model 2) in to the model with independent variables. The test statistic was 18.61 with 1 degree of freedom, and the p-value was also statistically significant ($p < 0.05$), revealing that the model with the interaction term (Model 2) provides a better fit to the data compared to the model without the interaction term (Model 1).

Table 1. (continued)

Entity fixed effects	No	No
Time fixed effects	Yes	Yes
* p < 0.1, ** p < 0.05, *** p < 0.01		

4.9.2. Robustness Checks

This research uses two different strategies for robustness checks of the results presented in previous sections. First, the primary analysis uses a binary variable dependent variable; therefore, the logit fixed effects model is the major choice of estimation method. If the total proportion of Saudi and UAE investment exceeds the 10 percent threshold in the examined year, Saudi-Emirati investment is designated as present or absent otherwise. This coding strategy is opted for due to the nature of our research question and the formulation of the study's hypotheses. Nevertheless, the author executes the models in this study by using a continuous form of the dependent variable, which is the total share of Saudi and Emirati investors in a given firm and examined year. The variable is constructed by adding up percentages of shares held by Saudi Arabia and UAE-originated investors. The created variable measures the ownership of shares in a more elaborate and nuanced way than the dependent variable used in the major analysis. However, it has drawbacks in terms of not addressing to "10 percent threshold for ownership", which is a cardinal aspect of FDI's definition[263], and it is not compatible with the research question and hypotheses stated in this study.

In Table 2, Model 3 and Model 4 columns indicate the panel regression analysis. Model 1 reveals a positive relationship between the political connectedness of firms and Saudi-Emirati investment, but the output is not statistically significant. In parallel to the main regression results, Model 3 reveals negative and statistically significant results between government ownership/investment and Saudi-Emirati investment. On the other hand, Model 4 includes an interaction term between the political connectedness variable and the before/after 2013 dummy variable for accounting impact of political connectedness on attracting Saudi-Emirati investment

[263] Alfaro, "Foreign Direct Investment: Effects, Complementarities, and Promotion."

before and after 2013, and it presents more compatible results with the main regression outputs. The output of the Model 4 suggests that politically connected firms were less likely to be preferred by Saudi-Emirati investors before 2013. However, this trend dramatically changed after 2013 since being politically connected positively influenced the probability of having a significant Saudi-Emirati investment after 2013. Therefore, using the total share of Saudi and Emirati investors as a dependent variable also reveals conditional effects for political connectedness on Saudi and Emirati investment in Egyptian firms listed in the stock exchange because results suggest that the time of the investment also matters substantially.

Second, the author includes entity-fixed effects to the main regression models in the robustness checks section, and results can be seen in the Model 5 and Model 6 columns in Table 2. In the main models, the author opts for using only time-fixed effects due to the cross-sectional nature of the hypothesis and research question. Using entity-fixed effects in the models would require more challenging and different interpretations that would also be incongruous and irrelevant to the study's main questions and goals. Nevertheless, adding entity-fixed effects into models yields apparent advantages since they are conducive for accounting observable and unobservable factors, which vary over the entities but are invariant over the observed time period[264]. Model 5 indicates a positive correlation between political connectedness and Saudi-Emirati investments for each firm and given year while holding entity-specific factors and time-specific effects. Model 6 also presents the same conditional effects for the impact of political connectedness on Saudi-Emirati investment by emphasizing that the year of investment, whether recorded before or after 2013, has a significant impact.

Table 2. Robustness Checks

	Model 3	Model 4	Model 5	Model 6
Presence of political ties	0.018	-0.043***	0.059**	0.040
	(0.015)	(0.004)	(0.028)	(0.027)
Presence of government investment	-0.083***	-0.082***	-0.003	-0.002
	(0.008)	(0.008)	(0.021)	(0.021)

264 Wooldridge, *Introductory Econometrics: A Modern Approach*.

Table 2. (continued)

Elite X After 2013 Interaction		0.077***		0.024*
		(0.012)		(0.012)
Presence of international investment	-0.036***	-0.037***	-0.044**	-0.045**
	(0.004)	(0.003)	(0.022)	(0.022)
ROA	-0.004	-0.005	0.003	0.002
	(0.003)	(0.003)	(0.002)	(0.002)
After 2013	0.040	0.033	0.038*	0.035
	(0.245)	(0.244)	(0.021)	(0.021)
Net income	0.006	0.006	0.000	0.000
	(0.003)	(0.003)	(0.001)	(0.001)
Sales	-0.010***	-0.010***	0.008	0.009
Debt ratio	0.008**	0.008**	0.000	0.000
	(0.003)	(0.003)	(0.000)	(0.000)
Company's age	0.003	0.002	-0.092	-0.090
	(0.004)	(0.004)	(0.063)	(0.063)
Factor: Consumer Goods	0.078***	0.078***		
	(0.006)	(0.006)		
Factor: Consumer Services	0.026***	0.026***		
	(0.008)	(0.008)		
Factor: Financials	0.085***	0.084***		
	(0.007)	(0.007)		
Factor: Health Care	0.055***	0.054***		
	(0.015)	(0.015)		
Factor: Industrials	0.032***	0.032***		
	(0.003)	(0.003)		
Factor: Oil & Gas	0.013	0.015		
	(0.009)	(0.009)		
Factor: Technology	-0.055***	-0.055***		
	(0.011)	(0.011)		
Factor: Telecommunications	0.020*	0.019		
	(0.011)	(0.011)		
Factor: Utilities	0.017*	0.016*		
	(0.008)	(0.008)		
Num.Obs.	2602	2602	2602	2602
AIC	-1372.8	-1380.6	-6821.2	-6827.7
BIC	-1185.2	-1187.1	-5279.0	-5279.6
RMSE	0.18	0.18	0.06	0.06
Std.Errors	Clustered	Clustered	Clustered	Clustered
Entity Fixed Effects	No	No	Yes	Yes
Time Fixed Effects	Yes	Yes	Yes	Yes

* p < 0.1, ** p < 0.05, *** p < 0.01

4.10. Network Analysis

In addition to exploratory data analysis and logit panel regression estimation, this research utilizes another strategy in order to examine the main research question. The primary focus is on examining the connections among shareholders of companies invested in by Saudi Arabia and UAE-originated investors. By mapping these connections, the research sheds light on the relationships between Saudi Arabia and UAE investors, the Egyptian firms in which they invest, and the other shareholders of these firms, creating a comprehensive social network analysis for individual shareholders who held different affiliations.

Networks have two fundamental elements. First, nodes refer to individual social actors interconnected within the network[265]. Nodes can signify any individual actors, such as shareholders, states, companies, and individuals. Regardless of the entity's identity in the real world, each node must possess a distinct and meaningful identity that sets it apart from others within the network. Second, "edges" represent another crucial component of the network, which represents the connections or relationships between the nodes[266]. Edges play a vital role in social networks as they signify the connections between nodes and serve as valuable analytical tools to comprehend the strength and nature of the relationships within the network.

Network analysis has inevitable setbacks and advantages in the scope of this study. The main setback is that network analysis focuses on the relationship between the shareholders for a single year: 2022, the most recent year in the dataset. Unfortunately, excluding the other available years from the analysis hinders examining how relationships between shareholders evolve over time. Furthermore, neglecting this temporal dimension of the data engenders many problems, such as the inability to examine the researched connections at significant time intervals and the loss of statistical validity. In this context, panel regression analysis is a more powerful methodology for examining temporal data. However, network analysis also

[265] Farrell and Newman, "Weaponized Interdependence: How Global Economic Networks Shape State Coercion."

[266] Luke, *A User's Guide to Network Analysis in R.*, 19

has distinctive advantages. The most important of these is that it portrays the relations between investors and companies as a network and provides an opportunity to focus more closely on the actors in this network[267]. First, network analysis offers unique advantages in identifying the most critical actors in the investment network and determining the associated attributes of these influential actors. Secondly, network analysis detects close-knit networks, enabling the identification of interconnected actors[268]. Specific to our research, network analysis provides the tools to understand whether Saudi and Emirati investors are systematically linked to investors with specific attributes. In this context, it is important to map the ties between Saudi-Emirati investors and local investors who have direct links with the state or have established political ties with political authorities.

Figure 11 represents a simplified version of the network of relationships among critical investors in the Egyptian stock market. Nodes in yellow indicate Saudi-Emirati investors, blue indicates state-affiliated investors, red indicates non-state actors with political ties, pink indicates international investors, and cyan indicates other investors who do not have these affiliations. The labels on the nodes represent the most influential actors in the network. What is meant by the most influential actors is found by discovering the nodes that have the most connections with the companies, and it is determined by calculating the degree centrality score of each entity in the network. Accordingly, The Egyptian Government appears to be one of the most influential actors in the network. On the other hand, the well-established families of Saudi Arabia, such as the Shobokshi Family, Sharbatly Family and Rashed Abdul Rahman al-Rashed Family, and Kamel Family, which have ties to the Saudi royal family, seem to have a significant weight in the Egyptian stock exchange shareholder network. In addition, Alpha Onyx company, owned by the al-Nahyan family, one of the managing families of UAE, has made significant investments in companies in the Egyptian stock market in recent years and has become one of the important actors in the investor network. The fact that both the ruling families and the rooted Saudi and Emirati families, which are connected to the ruling families, are

[267] Farrell and Newman, "Weaponized Interdependence: How Global Economic Networks Shape State Coercion."

[268] Smierciak, *Cronyism and Elite Capture in Egypt*.

important actors in the investor network raises suspicion that these investors are independent actors who are irresponsive to the political and economic objectives of these countries. In addition, when the most influential investors among local investors are examined, it will be seen that actors with political ties hold an important place in the investor network. It has been determined that individuals and families with strong political ties, such as Yasser Mallawany, Sawiris family, and Yasser Ibrahim, stand out in the investor network, which includes Saudi and Emirati investors. The business-politics relationship of the economic actors in this network and their impact on Egyptian politics will be examined in more detail in the following chapter of this study. The second significant advantage of network analysis in our study is that it helps us to understand to what extent investors with specific distinctive attributes are interconnected and whether this connection is due to systematic reasons or by chance. One of the important links explored within the investor network in this study is the link between Saudi-Emirati investors and shareholders with political ties. One of the study's hypotheses is that Saudi-Emirati investors will show more interest in companies with political ties and that investment in companies owned by the business elite reveals great opportunities for the survival of the political regime. In other words, the network analysis provides a way to quantify the relationship of companies with political connections to Saudi-Emirati investors in the investor network.

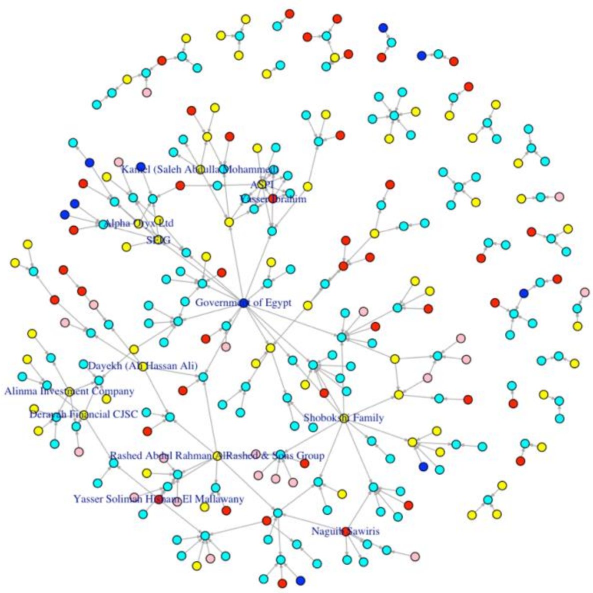

Figure 11. Shareholder network of firms with Saudi and Emirati investment

As can be seen in Figure 9, 43 economic actors with political connections, indicated by red nodes, are mapped. In order to find the ties between these politically affluent actors and Saudi-Emirati investors, it is necessary to simplify the graph shown in Figure 11 and reduce it to a subgraph that shows only Saudi-Emirati investors, the companies these investors invest in, and those companies other than Saudi-Emirati investors. This simplified subgraph is illustrated in Figure 12, in which there are 33 red nodes showing actors with political ties. In other words, 43 economic actors with political ties in the Egyptian stock exchange or in the management of the companies have been identified, and 33 of these actors are associated with companies in which Saudi and Emirati investors have invested significantly. Considering this finding, it can be concluded that the relationship between Saudi-Emirati investors and investors with political ties is quite strong as of 2022, the last observation year of the dataset. 3 of 4 politically connected business elites are linked to Saudi and Emirati capital through invested companies.

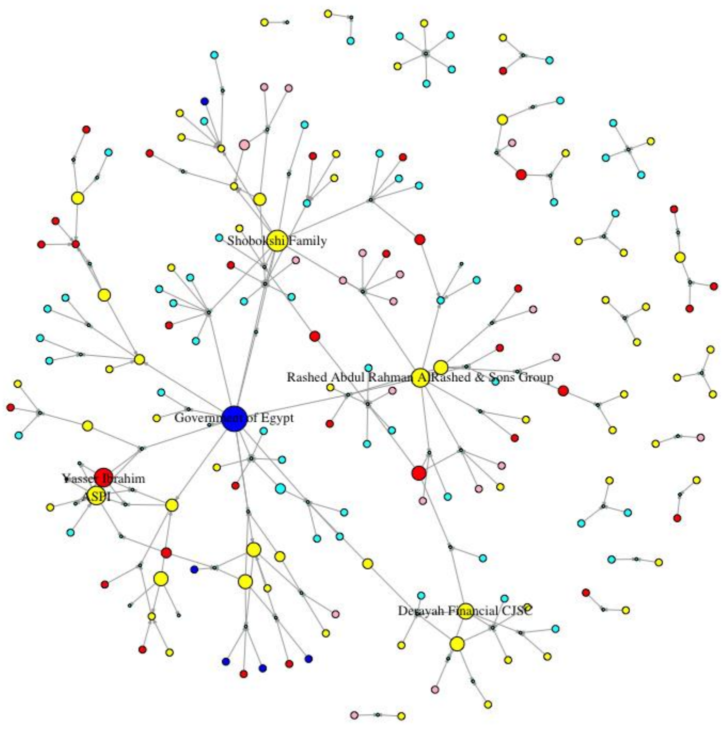

Figure 12. Network of firms with both Saudi-Emirati investment and political connections

Network analysis provides some tools to determine whether this strong link between Saudi-Emirati investors and local actors with political ties is valid or has come about by chance. The most important of these tools is by simulating random network maps with the same characteristics as the network map shown in Figure 11 and by creating subgraphs from these simulated networks, comparing the number of politically connected people with the observed number of people connected to the companies invested by Saudi-Emirati investors. According to this network simulation analysis through randomization, the probability of the detected connection being observed by chance is significantly low. Details of this analysis are described in Appendix C.

4.11. Discussion

This study investigates to what extent and in which conditions FDI may function as an effective foreign policy tool for contributing political survival of the incumbent in the host country. Previous studies found a statistically significant relationship between FDI's possible contribution to regime survival[269]. Nevertheless, these studies examine whether the inflow of direct investment increases the prospects of incumbents' stay in power, and if so, they lay down the strength of this effect and discuss possible causal mechanisms. In this sense, previous studies treat FDI as a mere flow of funds into the country and do not account for the foreign policy priorities of the home countries where FDI originates. This research addresses this gap and attempts to explain FDI's impact on regime survival in authoritarian countries by accounting for the motivations and foreign policy priorities of the home countries where the investment originates. Thereby, this study also examines under what conditions FDI may be a conducive factor for regime survival in addition to the presence and strength of its effect.

The insights derived from the exploratory analysis, panel regression analysis, and network analysis suggest that Saudi and Emirati investors are more likely to invest in firms with political ties in the Egyptian stock exchange. This finding underpins the conclusions of the previous studies, which found a positive link between the inflow

[269] Bak and Moon, "Foreign Direct Investment and Authoritarian Stability."; Escribà□Folch, "Foreign Direct Investment and the Risk of Regime Transition in Autocracies."; Moon, "Foreign Direct Investment, Commitment Institutions, and Time Horizon: How Some Autocrats Do Better Than Others."; "Political Institutions and Fdi Inflows in Autocratic Countries."; Rommel, "Foreign Direct Investment and the Politics of Autocratic Survival."

of FDI and prospects of regime survival in authoritarian countries[270], and supports *Hypothesis 2* of this study. As the output of Model 1 of the panel regression analysis indicates, FDI may contribute to the survival of the regime in the host country by acting as a commitment device between political leaders and political elites. The inflow of FDI funds into firms that are also owned by politically connected elites may make political defection costly and, thereby, prompt loyalty to the political leader[271]. In this sense, even though the inflow of FDI does not directly improve the incumbent's budget in the host country, it may involve political leaders in the distribution of private goods to the political elite indirectly.

Nevertheless, the link between the FDI and regime survival becomes more meaningful when the study accounts for the temporal dimension of the data. The findings suggest a substantially different interpretation when the study takes 2013 as a critical breaking point in the available timeframe and examines the relationship between Saudi-Emirati investments' disposition to politically connected Egyptian companies before and after 2013. As exploratory data analysis in Figure 8 and Model 2 of the panel regression analysis indicates, Saudi-Emirati investors' proclivity to invest in politically connected firms weakens considerably when the analysis focus observed years before 2013. In other words, FDI's supportive effect on the political survival of the Egyptian incumbents through its indirect financial transfer to the political elite is weak and statistically insignificant before 2013. However, after 2013, data indicates a strong inclination for Saudi-Emirati investors to opt for politically connected firms in the Egyptian stock exchange. When the analysis considers the value of investment stock instead of the number of companies in which Saudi and Emiratis had significant stakes, similar inferences can be drawn since firms with political connections seem to systematically hold higher investment stock values in terms of investment by Saudi and Emirati investors.

When the compiled dataset is analyzed, three important indicators suggest that Saudi-Emirati investments have political implications intertwined with Egyptian and

[270] Bak and Moon, "Foreign Direct Investment and Authoritarian Stability."; Rommel, "Foreign Direct Investment and the Politics of Autocratic Survival."

[271] Gerschewski, "The Three Pillars of Stability: Legitimation, Repression, and Co-Optation in Autocratic Regimes."

regional politics. First, insights derived from the analysis suggest that a critical timeframe in the Egyptian political landscape is significantly pertinent to Saudi and Emirati investors' preferences for investing in firms with political connections. The tendency of Saudi and Emirati investment to target politically connected firms after 2013 may lead to a tentative conclusion that Saudi and Emirati FDI may follow a political agenda that is not motivated only by economic drives. Instead, Saudi and Emirati investment after 2013 is strangely reminiscent of Saudi and Emirati foreign aid to Egypt, which has clear political aims in terms of supporting the political survival prospects of the political regime established after the military coup that overthrew the Muslim Brotherhood-affiliated Morsi government[272]. As Figure 9 indicates, companies with political connections have recorded more investment inflow from Saudi and Emirati investors since 2016. The increase observed since 2016 should be evaluated, especially considering the political developments in the Middle East, where Saudi Arabia and UAE meddle in regional politics with perseverance to consolidate their political power [273]. In addition, regarding Egyptian politics, Saudi Arabia and the UAE stated that they want to prioritize direct investments and use them more effectively instead of supporting the Egyptian state with only foreign aid[274]. Considering both the geopolitical objectives of Saudi Arabia and the UAE in the region and the compatibility of these states' financial support for Egypt with these geopolitical objectives, it can be asserted that the direct investments of Saudi Arabia and the UAE in Egypt also have political implications. Second, the analysis also suggests that the tendency of foreign investment to opt for politically connected companies is an exclusive feature of Saudi and Emirati investment. When we only account for Egyptian firms that hold international investments, excluding Saudis and Emiratis, the observed relationship weakens and becomes insignificant. Considering these patterns of Saudi Arabia and UAE-originated investment in Egyptian firms, the study suggests that political motivations that emanate from the changing outlook of politics after Arab Uprisings in the region may affect the

[272] Adly, "Disempowerment without Expropriation: Egypt’s Old Oligarchy under Sisi."

[273] Ragab, "Beyond Money and Diplomacy: Regional Policies of Saudi Arabia and Uae after the Arab Spring."

[274] Al-Youm, "Arab Aid to Egypt Will Not Last Long, Uae Minister Warns."

investment dynamics of these countries into Egypt. Finally, network analysis shows that the most influential Saudi-Emirati actors in the Egyptian stock exchange are the capital groups owned by the ruling families or the families connected with these families. So, when all patterns and relationship networks are taken into account, what inference can be made theoretically?

The theoretical implications of the analysis are that the inflow of FDI may contribute to the survival of the regime in authoritarian polities through investment into the firms, which are also invested by the politically connected business elites and may cement the tentative bargain of power between political elites and the incumbents. However, this impact may not be independent of the foreign policy motivations of the origin country since analysis suggests that regime supporting effect of FDI on Egyptian incumbents is conditional and operates only when supporting the regime survival of the Egyptian incumbents becomes a salient foreign policy priority of Saudi Arabia and UAE after a military coup in 2013. In other words, the inflow of FDI into authoritarian regimes may contribute to the regime survival of the political leader. However, such regime-supportive effect of FDI may not be separated from the political motivations of the origin country. From the perspective of the origin country, as the regime survival of the incumbent in the host country becomes a geopolitical priority, the regime survival effect of the FDI becomes more significant and robust. In this context, the disbursement of foreign aid and FDI shares certain political features. As some studies indicate, the political saliency and importance of the recipient country may influence the quantity and quality of the foreign aid, and the saliency and importance of the political regime in the origin country may influence to what extent FDI may support the political regime. Thereby, the author concludes that to what extent the origin country perceives the survival of the authoritarian regime as a significant geopolitical priority is a crucial intervening variable that indispensable influences the FDI's regime-endorsing effect in authoritarian countries.

This study contends that the saliency of host countries for the geopolitical interest of home countries is an important intervening variable that reinforces the regime survival effect of FDI for incumbents in host countries. Nevertheless, could any alternative explanations account for the disposition of international shareholders to invest in politically connected firms by emphasizing the economic motives and pursuit of reaping more profits? One alternative hypothesis would be that firms that already contain political connections are entitled to specific privileges such as easy access to credits, lands, and capital, entry regulations favoring politically connected persons, targeted economic incentives, tax exemptions, preferential tariffs, and non-tariff barriers for the competing non-politically tied businesses, and exemptions from certain feed paid to the government[275]. Since these firms are subjected to specific political favor due to their politically connected domestic investors, foreign investors may opt for investing in these firms, considering politically connected firms would invade a more advantageous place in the competition with the other firms and would render a more lucrative investment.

This study does not entirely rule out the economic motivations of investors to pursue investment in politically connected firms. The growing literature on geoeconomics proposes the indispensable link between the political and economic motives of the economic agents and indicates that economic relations between the states should be analyzed by juxtaposing both economic and political motives and focusing on their specific interaction[276]. Nevertheless, the patterns of Saudi and Emirati investments in firms in the Egyptian stock exchange show that the motives of Saudi and Emirati investors would not be exclusively economic since changing trends in investments correspond to specific major political milestones. Most importantly, the disposition of Saudi and Emirati investors to invest in politically connected firms weakened in observed years before 2013. We would expect the same linear relationship if only economic motives were at play. However, we tend to see a robust relationship between Saudi-Emirati investment and politically connected firms after 2013, which corresponds to a major foreign policy change of Saudi Arabia and UAE towards

275 Rijkers, Freund, and Nucifora, "All in the Family: State Capture in Tunisia."; Christian Ruckteschler, Muhammad Adeel Malik, and Ferdinand Eibl, "The Politics of Trade Protection: Evidence from an Eu-Mandated Tariff Liberalization in Morocco" (2019); Springborg, "Economic Involvements of Militaries."

276 Babić, "State Capital in a Geoeconomic World: Mapping State-Led Foreign Investment in the Global Political Economy."; Roberts, Moraes, and Ferguson, "Toward a Geoeconomic Order in International Trade and Investment."; Young, "A New Politics of Gcc Economic Statecraft: The Case of Uae Aid and Financial Intervention in Egypt."

Egypt[277]. Furthermore, changing trends of investments are also congruous with the foreign aid policy of Saudi Arabia and UAE in Egypt, which evidently aimed to keep their favored political leader after the military coup in 2013. Considering these caveats, the study reiterates the prevalence of political implications in Saudi and Emirati FDI in Egypt, though the author acknowledges the prominence of the economic motives.

On the other hand, both exploratory data analysis and panel regression estimation suggest that *Hypothesis 1* posited in this study cannot be confirmed. Contrary to the expectations of the author, the study transpires that Saudi Arabian and UAE-originated investors are less likely to invest in firms with Egyptian government investment, and the total share of investment from Saudi and Emirati investors is likely to decrease as the Egyptian government's stakes increase in a given firm. This finding suggests that even though Saudi and Emirati investment may contribute to the political regime in Egypt through indirect means of financing the political elite, Saudi and Emirati investment may not be supporting the political regime by indirect means of bolstering the financial and budgetary base of the incumbents in Egypt. There could be several explanations for the reluctance of Saudi-Emirati investors to engage with companies that have Egyptian government investment. One plausible explanation is that investors may be concerned about potential challenges posed by the organized labor force and its impact on investment prospects[278]. A significant proportion of the Egyptian government-invested companies are former state-owned enterprises in which labor councils have a strong establishment. After these companies' privatization and public offering, labor councils maintained significant proportions of ownership and became an influential force in their management. Due to labor's stringent organization and their voice in the company's management, foreign investors originating from Saudi Arabia and UAE may refrain from a possible conflict of interest between capital and labor that may affect the profitability of their investment. In other words, strong organization of labor and possible labor backlash to management policy to foreign investors may have a discouraging effect

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[277] Kamrava, *Troubled Waters: Insecurity in the Persian Gulf*; Ragab, "Beyond Money and Diplomacy: Regional Policies of Saudi Arabia and Uae after the Arab Spring."

[278] Erica Owen, "The Political Power of Organized Labor and the Politics of Foreign Direct Investment in Developed Democracies," *Comparative Political Studies* 48, no. 13 (2015).

on Saudi and Emirati investors. Second, possible security considerations of the Egyptian government may be at play. Firms dominantly owned by the Egyptian government usually operate in security-sensitive sectors such as the food industry and the manufacture of raw materials and minerals. In these sectors, the Egyptian government may want to prevail in its dominance and hinder foreign direct investment into the dominantly state-owned companies in these business sectors. Nevertheless, this explanation for failing to confirm *Hypothesis 1* only presents a tentative account. Even though quantitative data analysis gives some support, the evidence is still circumstantial. The qualitative chapter of this thesis study attempts to present a more in-depth analysis to understand the relationship between Saudi-Emirati investment and firms with substantial Egyptian government investment.

4.12. Conclusion

The main purpose of this research is to unfurl fundamental political motivations driving Saudi Arabia and the UAE to invest in Egypt and examine how the Saudi and Emirati investors' investment patterns adapt and transform concerning the changing geopolitical priorities of Saudi Arabia and the UAE within the region. The main question of the research is to what extent and under what circumstances do Saudi Arabian and Emirati investments in Egypt function as geopolitical instruments, enabling these nations to achieve their particular political objectives? After the Arab Uprisings, sustaining the political survival of the favored regime in the region became one of the important foreign policy objectives of Saudi Arabia and UAE since these countries perceived the political factors that endangered the survival of the authoritarian regimes in the region as an existential threat to their own regime security[279]. Therefore, Saudi Arabia and UAE employed various financial and non-financial means to support the favored political regime in the region. One of the popular choices of financial means was disbursing large amounts of foreign aid to the political regimes that are intended to be endorsed[280]. The military regime that was

[279] Kamrava, *Troubled Waters: Insecurity in the Persian Gulf*; Ragab, "Beyond Money and Diplomacy: Regional Policies of Saudi Arabia and Uae after the Arab Spring."; Ulrichsen, *The Gulf States in International Political Economy*; Ziadah, "The Importance of the Saudi-Uae Alliance: Notes on Military Intervention, Aid and Investment."

[280] Adly, "Disempowerment without Expropriation: Egypt's Old Oligarchy under Sisi."

established after the military coup in Egypt had been one of the well-known and well-studied instances of such financial endorsement[281]. This research studies another financial phenomenon and examines whether foreign direct investment would be another pecuniary flow that may contribute to the regime survival of the regime in the host country.

The research formulates two hypotheses that may establish the theoretical link between the inflow of FDI and its possible impact on the host incumbents' stay in power. The first hypothesis posits that when the survival of the Egyptian regime becomes a geopolitical objective for Saudi Arabia and UAE, Egyptian firms that are also invested by the Egyptian government are more likely to attract investment originating from Saudi Arabia and UAE. FDI into the government-invested firms may make a positive contribution to the budget of the host regime, and incumbents may use raised funds in discretionary means to sustain conditions of their political survival. On the other hand, the second hypothesis contends that when the survival of the Egyptian regime becomes a geopolitical objective for Saudi Arabia and UAE, Egyptian firms with political ties are more likely to attract investment from Saudi Arabia and UAE-originated investors. In this sense, the FDI does not directly support the incumbents' budget, as in the first hypothesis. Instead, the inflow of the FDI into the firms that are invested and owned by the political elite indirectly supports the political clique whose support is substantial for political leaders to stay in power. By this means, FDI functions as a commitment device that makes elite defection costlier and, thereby, contributes to the survival of the tacit pact between the political elite and political leader [282].

In order to address the aforementioned puzzle, this research takes advantage of a novel dataset that consists of shareholder structure and characteristics of the firms enlisted in the Egyptian stock exchange between 2009 and 2022. Prevailing data indicates that the significance of Egyptian firms for Saudi and Emirati investors

[281] Ibid.; Kamrava, *Troubled Waters: Insecurity in the Persian Gulf*; Sayigh, "Owners of the Republic: An Anatomy of Egypt's Military Economy."

[282] Bak and Moon, "Foreign Direct Investment and Authoritarian Stability."; Gerschewski, "The Three Pillars of Stability: Legitimation, Repression, and Co-Optation in Autocratic Regimes."; Moon, "Political Institutions and Fdi Inflows in Autocratic Countries."

increased over the observed timeframe. Both the number of companies in which Saudi and Emirati investors held a substantial amount of state and the total amount of investment stock increased in time, even though there are some aberrations in between. The study employs exploratory data analysis, panel regression estimation, and network analysis modalities to examine the stated hypothesis. Results indicate that Saudi and Emirati investors are more likely to invest in firms that have political connections with the political regime in the host country. The finding shed supports *Hypothesis 2* and previous studies and suggests that FDI could be a means of supporting regime survival in the host country by indirectly allocating financial resources to the political elite and strengthening the patronage network [283]. Nevertheless, results also indicate that this effect is conditional since FDI's regime-supportive effect is contingent upon the political motivations of the country of origin. The results suggest that this effect is robust and significant in only the timeframe in which origin countries prioritized the political survival of the regime as a crucial foreign policy objective after the Arab Uprising of 2013. In this context, the author contends that the political implications of the FDI should be examined by taking the political priorities and objectives of the origin country instead of regarding FDI as a homogenous inflow of financial resources that is indifferent to the political motivations of involved parties. On the other hand, the results do not support *Hypothesis 1*. Contrary to the preposition of the author, analysis suggests that Saudi and Emirati investors are less likely to invest in firms that the Egyptian government also invests. The author stated that factors such as the existence of an organized workforce in the companies and various security concerns of the government in the host country may be influential in the emergence of this result. These factors will be discussed in detail in the fifth chapter of the thesis.

[283] Rommel, "Foreign Direct Investment and the Politics of Autocratic Survival."

CHAPTER 5

TRACING THE SAUDI AND EMIRATI INVESTMENTS IN EGYPT

5.1. Introduction

This study explores processes and conditions that underline how foreign direct investment (FDI) can serve as a significant financial resource, contributing to the survival of the incumbent in the host country. To reflect on this research objective, the research focuses on Saudi and Emirati investments in Egypt. The main aim is to ascertain the extent to which, by what mechanisms, and under which circumstances Saudi and Emirati FDI contribute to bolstering regime stability in Egypt. The main argument of this study is that FDI inflows can play a role in supporting the survival of regimes in the host country by virtue of their budget-endorsing and cooptation-enabling effects. Nevertheless, the argument follows that the impact of the FDI on regime survival in authoritarian regimes is quite predicated on a specific international factor. The home government’s motivation to deploy economic and political resources aimed at instrumentalizing the FDI flows for endorsing the incumbents in authoritarian host countries is a prominent intervening force that may accentuate the contribution of both budget-endorsing and cooptation-enabling effects on host incumbents’ prospects to remain in power.

The research is based on a mixed research design by combining empirical strategies from both quantitative and qualitative methodologies. On the one hand, in the fourth chapter of this thesis, the author employed a quantitative methodology and empirically tested two mechanisms pertinent to how FDI may possibly support the survival of the regime in the host country. This analysis was conducted using a comprehensive dataset that includes information on ownership structures and the characteristics of firms listed on the Egyptian stock exchange and capitalized on statistical estimation and network analysis modeling to examine the main hypotheses in the chapter.

Alternatively, in this chapter, two distinct approaches linked to qualitative methodology are utilized. First, the chapter employs the process tracing methodology to unfurl the causal processes pertinent to Saudi and Emirati FDI's contribution to the political survival of the incumbents in Egypt by situating the politics of FDI in a historical context. The chapter traces the important developments in Saudi Arabia and the UAE's investment relations with Egypt from the early 2000s until 2023, illustrating the impact of major political developments on the political dimensions of these investments. The analysis particularly scrutinizes the antecedent conditions that precede the causal processes and aims to reveal the chain of intermediary factors that are conducive to facilitating the role of FDI inflows in bolstering authoritarian resilience in Egypt. Second, this chapter utilizes Saudi Arabia and UAE-originated investments in Egypt facilitated by bilateral agreements between 2000 and 2022 as a second data source. Examination of the state-sponsored Saudi and Emirati FDI inflows into Egypt facilitates grasping the extent of home nations' mobilization of political and economic resources to embroil in the investment landscape in the host nation. Additionally, this data allows for pinpointing the major domestic and international beneficiaries of the prevailing state-sponsored investors, with a particular emphasis on the political connections of the prominent actors in the established investment network. Employing these two empirical tools from qualitative research, the study seeks to explore two hypotheses formulated in the fourth chapter.

As articulated in the methodology section, leveraging qualitative methodologies complements the empirical agenda presented in the previous chapter of this study by addressing certain problems that quantitative methodologies cannot satisfactorily resolve. In contrast to Chapter 4, this chapter encompasses not only Saudi and Emirati portfolio investments in Egypt but also greenfield investments alongside project-based investment partnerships to present a more comprehensive scope for Saudi Arabia and UAE's investment relations with Egypt. Furthermore, providing a historical context for the case may contribute to an understanding of why certain hypotheses cannot be confirmed with the tools borrowed from quantitative methodologies. In the context of this study, the findings of the quantitative model elaborated in the second chapter cannot confirm the hypothesis that firms listed in the Egyptian stock exchange with government investment are more likely to attract investment from Saudi and Emirati investors. In this chapter, the qualitative design may shed light on the reasons behind this finding by enabling the conduct of an in-depth survey of political and sociological factors pertinent to Saudi and Emirati investments in Egypt.

Lastly, modalities of qualitative research may complement the quantitative research agenda by addressing specific alternative hypotheses that may not be adequately addressed through statistical tools. The quantitative methodologies predominantly aim to uncover the major causes of the examined effects rather than revealing all the pertinent processes leading to the cause itself[284]. Notwithstanding its academic prominence, the fixation merely on the causes may sometimes complicate accounting for the presence of various confounding endogenous factors that engender alternative explanations. This phenomenon has become particularly crucial for analyses based on observational data, facing challenges in addressing the pervasive issue of endogeneity prevalent in social research[285]. On the other hand, process tracing may ameliorate these issues embodied in quantitative research by locating the causes of the examined effect in a historical process, providing a more comprehensive context for addressing other plausible factors at play[286].

This chapter consists of five sections. The second section offers a historical overview of Saudi and Emirati investments in Egypt, emphasizing their connections with political developments in regional and domestic contexts. The third section analyzes state-sponsored investments in Egypt involving Saudi Arabia and the UAE with a focus on their political implications. The fourth section discusses the findings in terms of their theoretical significance. Finally, the fifth section presents a conclusion.

[284] Jeffrey T Checkel, "Mechanisms, Process and the Study of International Institutions," in *Process Tracing: From Metaphor to Analytic Tool* (2015); Collier, "Understanding Process Tracing."

[285] Wooldridge, *Introductory Econometrics: A Modern Approach*.

[286] George and Bennett, *Case Studies and Theory Development in the Social Sciences*.

5.2. On the Trail of the Saudi and Emirati Investments in Egypt

5.2.1. Mubarak Era

In the early 2000s, Saudi and Emirati businesspeople discovered emerging investment potential in Egypt[287]. In 2001, some official sources indicated that Saudi Arabia and UAE-originated investors participated in approximately 500 and 100 projects, respectively. In this project, it is reported that nearly 25 % of the accumulated capital was contributed by these investors[288]. Moreover, the official data suggests that over half of these investments were directed towards the tourism sector, reflecting an anticipation of Egypt's emergence as a prominent tourism hub in the region[289]. Real estate investments also garnered significant interest from Saudi and Emirati investors during that period. Several construction companies from these countries launched projects to build luxury and residential units[290]. In addition to real estate and tourism, agricultural investments by Saudi and Emirati investors gained momentum during the 2000s, particularly due to Saudi Arabia's initiative to encourage local investors to explore new agricultural opportunities in the region.

The companies affiliated with Saudi Arabia and UAE's ruling families and prominent business elites were involved in business projects in Egypt, particularly focusing on lucrative opportunities in the real estate and tourism sector in the early 2000s. Saudi investor Prince Al Waleed bin Talal Al Saud has emerged as an important figure in Egypt's tourism sector with his investment in hotels and recreational facilities around Alexandria and Sharm El-Sheikh regions in Egypt [291].

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287 Hanieh, *Capitalism and Class in the Gulf Arab States*.

288 IPR Strategic Business Information Database, "Saudi Arabia Invests in 563 Egyptian Companies," https://advance.lexis.com/api/document?collection=news&id=urn:contentItem:44S4-T2F0-003N-V1XM-00000-00&context=1516831.

289 "Egyptian Emirates Joint Projects - Outlook," https://advance.lexis.com/api/document?collection=news&id=urn:contentItem:43YS-1R60-003N-V391-00000-00&context=1516831.

290 See News, "Uae Abu Dhabi Hosts Egyptian Real Estate Exhibition," https://advance.lexis.com/api/document?collection=news&id=urn:contentItem:4GRG-HV50-TX25-T1XJ-00000-00&context=1516831.

291 Middle East Company News Wire, "Sarmad N. Zok, Ceo, Kingdom Hotel Investments," https://advance.lexis.com/api/document?collection=news&id=urn:contentItem:4H8N-W3R0-TX0W-M2TF-00000-00&context=1516831.

In addition, Saudi construction giant Bin Laden Group's Egyptian subsidiaries ushered in entering the Egyptian market by 2007 to explore profitable projects[292]. Likewise, UAE's Emaar Properties and Burooj Properties also entered in Egypt's tourism sector with luxury hotel projects in Sidi Abdel-Rahman region and Six of October City[293]. By 2011, Emaar Properties had become the largest investor in Egypt's real estate sectors, with a total investment of almost $5.8 billion allocated to a number of tourism and construction projects[294]. Thanks to these new business initiatives, UAE's tourism investment in Egypt reached $4 billion, according to official figures, accounting for approximately 30% of all Arab tourism investments in the country[295].

The growing interest of Saudi Arabia and the UAE in increasing their investments in Egypt aligns with Egypt's implementation of new policies to enhance the investment environment in the country. In the late 1990s and early 2000s, Mubarak's government commenced various reforms to expedite the influx of FDI. First and foremost, the investment law that was enacted in 1997 provided a legal framework for determining the incentives, exemptions, protections, and liabilities that are entitled to foreign investors. Furthermore, in 2004, the Ministry of Investment and the General Authority for Investment and Free Zones (GAFI) were established as bureaucratic bodies responsible for scrutinizing the application of foreign businessmen, issuing licenses and certificates, and formulating policies for ameliorating the overall investment conditions in Egypt[296].

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[292] Tenders Info, "Egypt: Saudi Firm Sets up Industrial Company in Egypt," https://advance.lexis.com/api/document?collection=news&id=urn:contentItem:7VC3-8NT1-2SDX-23TM-00000-00&context=1516831.

[293] IPR Strategic Business Information Database, "Uae's Emaar N.Coast Tourist Project Contract," https://advance.lexis.com/api/document?collection=news&id=urn:contentItem:4KKG-FKD0-TX70-H2YM-00000-00&context=1516831.

[294] Gulf Business, "Gulf Investors Weigh up Egyptian Risk," https://advance.lexis.com/api/document?collection=news&id=urn:contentItem:53MH-GCS1-JDJN-60WM-00000-00&context=1516831.

[295] Suna News Agency, "Uae Pumps $4 Bn in Egypt's Tourism Sector," https://advance.lexis.com/api/document?collection=news&id=urn:contentItem:4SFW-S590-TWNX-0160-00000-00&context=1516831.

[296] Shima' Hanafy, "Patterns of Foreign Direct Investment in Egypt: Descriptive Insights from a Novel Panel Dataset at the Governorate Level," (MAGKS Joint Discussion Paper Series in Economics, 2015).

Recognizing the Gulf Arab countries' intent to invest in the region, Mubarak decided to encourage these countries to partake in Egypt's accelerated economic liberalization scheme. In 2002, Saudi Arabian and Emirati investors were invited to explore investment opportunities revealed by Egypt's privatization program for state-owned business ventures[297]. In the same year, the UAE government's petroleum company Emaraat signed a memorandum of understanding with the Egyptian government to establish a new oil company, Emaraat Misr, with a partnership with Egypt's state-owned MIDTAP company[298]. Another agreement was signed between UAE's Dubai Ports World and Egyptian authorities that allowed the Emirati company to take over a controlling stake of an Egyptian company for managing the operations of Ain Al-Sukhna Port[299]. Additionally, Saudi Arabia was in negotiations with the Egyptian government to open up new channels for investment in the country. One of the important developments for coordinating the Saudi investments in Egypt has been agreeing upon creating a joint investment fund with a capital of $250 million USD in 2005[300]. It was expected that the new joint company would exploit profitable opportunities emerging from Egypt's privatization of the state assets. Nevertheless, despite the decision by political leaders to establish the investment fund, the operational framework of the company was not concluded in the following years. In 2007, another memorandum of understanding was inked between the two countries for determining the ownership structure of the joint investment fund, with 80% and 20% participation from Saudi Arabia and Egypt, respectively[301].

[297] See News, "Uae's Dubai to Host Workshop on Egypt's Privatisation Programme," https://advance.lexis.com/api/document?collection=news&id=urn:contentItem:4GMP-BHJ0-TX25-T25M-00000-00&context=1516831.

[298] Middle East Company News Wire, "Emarat Signs Memorandum of Understanding with Midtap," https://advance.lexis.com/api/document?collection=news&id=urn:contentItem:4H8N-W3Y0-TX0W-M268-00000-00&context=1516831.

[299] IPR Strategic Business Information Database, "$1.3 Billion Uae Investments in Ain Al-Sukhna Port," https://advance.lexis.com/api/document?collection=news&id=urn:contentItem:4RTD-BNP0-TX70-H1N8-00000-00&context=1516831.

[300] US Fed News, "Saudi Arabia, Egypt Agree on Setting up Joint Investment Funds," https://advance.lexis.com/api/document?collection=news&id=urn:contentItem:4HKS-6BV0-TWTC-61R3-00000-00&context=1516831.

[301] IPR Strategic Business Information Database, "Egypt, Saudi Arabia Sign Agreement on Setting up Joint Holding Company,"

The final years of the Mubarak era were characterized by the introduction and reformulation of schemes to deepen economic liberalization policies. His government strived to entice the regional business class to discover lucrative investment opportunities in Egypt, encouraging them to strengthen their business networks in the country and participate in the announced state-sponsored investment projects. In 2010, Mubarak launched official high-level contacts with the Arab leaders in the region, and during his visits to Saudi Arabia and UAE, he promoted the idea of building a framework for economic cooperation in trade and investment. He even shed his support on establishing a common Arab market.

However, one of the most important targets of these regional contacts was to advertise his main strategy of attracting direct investment to Egypt, which is implementing projects under the private-public partnership scheme (PPP) for enhancing the infrastructure capacity of the country[302]. Although private-public partnership projects were not novel and had been employed to finance various infrastructural projects following government initiatives to liberalize the economy in the 1990s, Egypt enacted a new law in 2010 to regulate private-public partnerships. This law extended the participation of foreign private entities in investment projects and provided additional guarantees for securing long-term returns on investment[303]. In line with the PPP scheme, the Egyptian state presented four major projects to the Gulf state, which consisted of constructing industrial and recreational centers east of Port Said and south of Suez Canal[304]. Mubarak thought the presented projects would be a harbinger of FDI influxes into Egypt.

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https://advance.lexis.com/api/document?collection=news&id=urn:contentItem:4N3P-VHH0-TX70-H3BD-00000-00&context=1516831.

302 States News Service, "Rachid's Intensive Talks with Uae Official on Economic Cooperation, Joint Projects," https://advance.lexis.com/api/document?collection=news&id=urn:contentItem:51PB-K2C1-JCBF-S4C6-00000-00&context=1516831.

303 Muhammad Kamel, Ali Montaser, and Ibrahim Abd El-Rashid, "Public Private Partnership in Egypt" (paper presented at the Proceedings of the Canadian Society for Civil Engineering Annual Conference (CSCE 2017), 6th CSCE/CRC International Construction Specialty Conference, Vancouver, BC, Canada, 2017).

304 States News Service, "Rachid in Abu Dhabi: Four Investment Megaprojects for Private Sector Soon," https://advance.lexis.com/api/document?collection=news&id=urn:contentItem:51D1-JFK1-DYTH-G3DS-00000-00&context=1516831.

However, Mubarak's political endeavors to entice Saudi and Emirati leaders to expedite financial flows to projects in Egypt were destined to be incomplete because the eruption of large-scale public movements sparked in early 2011 led to his removal from power in the weeks following the protests. During his tenure, the state-level engagement in the investment relationship between the Gulf states and Egypt did not reach the robust trend seen after the 2013 change in government (See Table 3). Moreover, political developments in Egypt that unfolded in the winter of 2011 led to an unexpected aberration in investment relations with Saudi Arabia and the UAE. A noticeable shift in this dynamic would only emerge after the military assumed control post-2013.

5.2.2. The Saudi and Emirati Investments in Egypt After 2011 Uprisings

Following the outbreak of Arab Uprisings in 2011, Saudi Arabia and UAE’s investment relations faced a challenging epoch. The interim government established after the overthrow of the Mubarak regime decided to scrutinize the business contracts between public entities and private agents completed before the uprisings. Prominent names among Egypt’s business elites faced various corruption charges for being involved in illegal and unjust business conduct with the state during the Mubarak era. Some of the businessmen, such as Yasser el-Mallawany, CEO of EFG Hermes, which is one of the largest financial groups in Egypt, were indicted with insider trading charges, and Egyptian courts imposed travel bans upon them[305]. Likewise, Saudi and Emirati businesses’ interactions with the Egyptian state were not immune to the investigation initiated by the interim government established under the auspices of the Egyptian military. As a result of the investigation process, nearly 30 business entities are sanctioned for their corrupt ties with the previous regime, and their business contracts are nullified. The Saudi and Emirati business figures affiliated with the sanctioned companies are accused of misconduct and bribery charges and prosecuted by the Egyptian legal system. One famous example is the case of Hussain Sajwani, the chairman of UAE-based Damac Properties, who is

[305] Tarek El-Tablawy, "Egypt Efg Ceo: Travel Ban, Soccer Riot Not Linked," *Associated Press Financial Wire.*, https://advance.lexis.com/api/document?collection=news&id=urn:contentItem:54X2-0FJ1-JC65-52P9-00000-00&context=1516831.

prosecuted for bribing Egyptian officials to purchase state lands under their market price without engaging in any fair procurement process[306]. In addition, Saudi businessman Prince al-Waleed bin Talal and the UAE's Futtaim Group have been affected by the investigation process and some of their contracts were canceled due to the illegal acquisition of the lands in the Red Sea and Ayyat governorate[307]. Saudi and Emirati companies who were prosecuted as a result of the investigation applied to arbitration at the International Centre for the Settlement of Investment Disputes (ICSID) and accused the Egyptian government of pursuing unestablished vengeance rather than setting fair conditions for ensuring justice.

Nonetheless, Saudi Arabia and UAE were eager to support Egypt financially, even though Egypt's relationship with Saudi and Emirati businesspeople was in limbo due to the ongoing investigation process launched by the interim government. Saudi and Emirati support aimed to prevent the country from facing economic insolvency, which would have further escalated the social unrest in the country and would have perpetuated the undesirable domino effect in the region. Indeed, following the overthrow of Mubarak, the economic outlook of Egypt swiftly deteriorated. Political unrest in the country engendered a massive outflow of investment from the country. The stall of economic activity, coupled with diminishing tourism revenues, was dragging Egypt into a grim balance of payment crisis. As seen in the top and bottom graphs in Figure 13, one evident sign of the foreign exchange crisis was the steep decline of the international reserves and expanding budget deficit[308]. Confronting severe challenges to maintain the country's solvency, Egypt sought external resources to overcome the bottleneck in foreign reserves.

Amid the melting reserves and crumbling economic growth momentum, the IMF has been pointed out as a potential remedy for Egypt's urgent need for foreign exchange.

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[306] Realty Plus, "Damac Chairman Sues Egypt," https://advance.lexis.com/api/document?collection=news&id=urn:contentItem:52WS-M3J1-DXJ6-R2GW-00000-00&context=1516831.

[307] Gulf Business, "Gulf Investors Weigh up Egyptian Risk".

[308] Intellinews, "Egypt. - Mena This Week," https://advance.lexis.com/api/document?collection=news&id=urn:contentItem:55MY-SSV1-F15C-J3NT-00000-00&context=1516831.

However, Egypt rejected the IMF's offer to arrange a swift loan to relieve the country's balance of payment problem. The military-backed interim government announced that the government will resort to local sources and flow of cash from the Gulf countries to finance its ever-expanding deficit. It is reported that the interim military-led government was weary of resorting to IMF funding as a primary source due to their reservations about anticipated economic policy reforms that the IMF would negotiate a pre-condition before the implementation of the financial assistance instrument[309]. Thereby, the interim government resorted to financial funding instruments provided by Gulf countries, which were perceived as less strings attached. During these tumultuous times, Gulf Arab states were receptive to the idea of keeping the Egyptian economy afloat. As the first signs of the Gulf aid to Egypt, Saudi Arabia announced that it would deposit $1 billion as an 8-year loan and opened easy-to-access credits for Egypt's provision of energy imports[310].

5.2.3. Morsi's Presidency

While the eruption of Arab Uprisings in 2011 aroused new challenges for Saudi and Emirati investors in Egypt, the election of the Muslim Brotherhood-affiliated Mohamad Morsi as the new president of Egypt in 2012 exacerbated the complications in investment relations between Egypt and Gulf countries. At that time, the country was grappling with profound economic challenges concomitant with a significant rise in poverty among its population. Inflation and unemployment were increasing, and growth rates plummeted in comparison to pre-revolution figures. Approximately 60% of the prevailing international reserves had melted down by the onset of the Arab uprisings[311]. To avert the risk of default amid a foreign exchange crisis, Morsi engaged in negotiations with the IMF and other foreign investors to assess various loan and investment prospects. Among the evaluated options, IMF's $4.8 billion austerity package was regarded as a crucial

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309 Stephan Roll, "Loans for the President: External Debt and Power Consolidation in Egypt," *Stiftung Wissenschaft und Politik* (2022).

310 The Middle East, "Egypt Sets Sail for an Economic Revival," https://advance.lexis.com/api/document?collection=news&id=urn:contentItem:567J-JVS1-DYV1-952X-00000-00&context=1516831.

311 Mohsin Khan, "Would an Imf Program Have Saved Morsi?," *Atlantic Council*, https://www.atlanticcouncil.org/blogs/menasource/would-an-imf-program-have-saved-morsi.

lifeline for re-invigorating the Egyptian economy. One of the common impressions among the policymakers was that the deal with IMF would provide Egypt with imminent access to required funds for overhauling the macroeconomic outlook, and it may also create confidence among international investors for encouraging investment in the country[312].

Nevertheless, the Morsi government's efforts to secure an agreement with the IMF were facing challenges and were not progressing seamlessly. The negotiations between Morsi's cabinet and IMF were contingent upon the implementation of certain economic reforms to shrink the fiscal deficit, such as imposing taxes on certain goods and services as well as subsidy cuts for various consumer products. In parallel to the military-backed interim government’s concerns over resorting to an IMF-backed loan program in 2011, Morsi anticipated that such tax reforms would create an undesirable public backlash, impinging upon the legitimacy and approval rates of the government. Eventually, he had cold feet in sustaining talks with IMF, and his government required a postponement of the program in December 2012[313].

With Morsi showing hesitance and reluctance to risk a domestic backlash by implementing the IMF's necessary economic reforms, his negotiations with the IMF lacked vigor and enthusiasm. As an alternative, Morsi shifted his focus to Gulf countries, seeking readily available loans and aiming to rejuvenate the influx of investment into the country[314]. He initiated discussions with Saudi officials to promote investment in Egypt and pledged to improve the country's investment climate. Morsi also vowed to address the "legal issues" faced by several Saudi and Emirati investors, stemming from the interim government's pursuit of legal action against them for alleged bribery and unethical conduct in their business interactions with officials from the Mubarak government[315].

[312] Ibid.

[313] Ibid.

[314] Egypt State Information Service, "Talks with Saudi Arabia on Establishing Projects Worth U.S. $8.5 Billion," https://advance.lexis.com/api/document?collection=news&id=urn:contentItem:56JJ-TWN1-DY15-S3WM-00000-00&context=1516831.

[315] MENA English, "Mursi Tells Officials to Spare Saudi Investments from Obstacles," https://advance.lexis.com/api/document?collection=news&id=urn:contentItem:56JH-YT51-F04Y-V1KT-00000-00&context=1516831.

Unfortunately, Morsi’s intentions to entice investment from Gulf Arab states encountered severe hurdles. Notwithstanding Morsi’s pledges, the conflict between Saudi-Emirati businessmen and Egyptian courts could not be solved satisfactorily by April 2013. Saudi Arabia's Minister of Commerce and Industry, Tawfiq al-Rabiah, complained about the clumsiness of legal procedures in Egypt and claimed that there are still pending projects worth $1.3 billion whose troubles with the Egyptian government were not settled down[316]. Further complicating the issue, Abdel Rahman Al-Sharbatly and Hesham El-Sewedy, who are prominent Saudi businessmen invested in Egypt, were subjected to travel bans along with notable Egyptian business elites such as Hasan Heikal after being accused of corruption charges due to their business relations with Mubarak’s government before the 2011 uprisings. The decision of the Egyptian court deepened the grievances of the Gulf investors and triggered a backlash among several Saudi investors, prompting them to announce a halt on their investments in the country[317].

In addition to Egypt’s aggravated business relations between Saudi Arabia and the UAE, investment relations between Mohamed Morsi's government and Gulf countries were contentious and intertwined with deep cleavages in policy responses and power struggles among the prominent Gulf Arab states. From the perspective of the UAE, the rise of political Islam had been perceived as a grave danger to both “social stability and cohesiveness” in the domestic society, as well as a regional security concern, as it allows Iran to meddle in the internal affairs of the countries in the region[318]. After the securitization of Political Islam as a prominent source of threat, the UAE litigated the people affiliated with the Muslim Brotherhood and criminalized the organizations linked to political Islam. In coalition with the UAE, Saudi Arabia also denounced the Muslim Brotherhood as a malignant organization and garnered support among the GCC to confront rising Islamism in the region.

316 Al Arabiya, "Saudi-Owned Projects Worth $1.3bn Stalled in Egypt," https://advance.lexis.com/api/document?collection=news&id=urn:contentItem:588S-6T71-JDJN-60JJ-00000-00&context=1516831.

317 Daily News Egypt, "Saudi and Egyptian Businessmen Freeze Investments in Egypt," https://advance.lexis.com/api/document?collection=news&id=urn:contentItem:580G-TRK1-JDJN-637G-00000-00&context=1516831.

318 Kamrava, *Troubled Waters: Insecurity in the Persian Gulf.*

Qatar, on the other hand, diverged from the GCC camp led by Saudi Arabia and the UAE, refusing to denounce the Muslim Brotherhood as a threat to the security of the region and the stability of regimes in the area. As Morsi's ties with Saudi Arabia and UAE were rapidly deteriorating, Qatar had emerged as a financial supporter of the country by committing to $7.5 billion in grants and aid and depositing $2 billion to the central bank to back up Egypt's melting reserves[319]. Nonetheless, Qatar's financial support was neither a panacea for Egypt's economic problems nor sufficient to keep Muslim Brotherhood-affiliated Morsi in power. In July 2013, Morsi was overthrown by a military coup led by army chief General Abdel Fattah al-Sisi.

5.2.4. Saudi and Emirati investment after the Coup in 2013

In the aftermath of Mohamed Morsi's removal from power, Saudi Arabia and the UAE were lightning-quick to support the military regime politically and economically. In order to cushion the initial economic shocks of the military coup, Saudi and Emirati leaders pledged a $12 billion package that subsumes deposits to central banks, loans, grants, and oil shipments. Central Bank of Egypt confirmed the transfer of initial $5 billion deposits shortly after the announcement of the Saudi and Emirati aid. UAE also deposited $3 billion and reiterated its commitment to support Egypt economically in the following periods. Saudi Arabia and UAE also renewed their commitments to maintaining financial stability and pledged to offset any reduction of financial flow into the country which may result from Western states' reaction to the military coup[320]. Saudi Arabian Foreign Minister Prince Saud al-Faisal communicated their intention to prevent Egypt into any balance of payment crisis that would engender perpetuation of social unrest in a clear manner: "To those who have declared they are stopping aid to Egypt or are waving such a threat, the

[319] Daily News Egypt, "Gulf States, Minus Qatar, Rally Egypt Investment to Buoy Army Power," https://advance.lexis.com/api/document?collection=news&id=urn:contentItem:59YW-8M51-JDJN-61N4-00000-00&context=1516831.

[320] Reuters, "With Gulf Aid, Egypt Economy Can Limp through Crisis," https://advance.lexis.com/api/document?collection=news&id=urn:contentItem:595J-DKB1-JDJN-63J5-00000-00&context=1516831.

Arab and Muslim nations are wealthy with their people and resources and will not shy away from offering a helping hand to Egypt[321]".

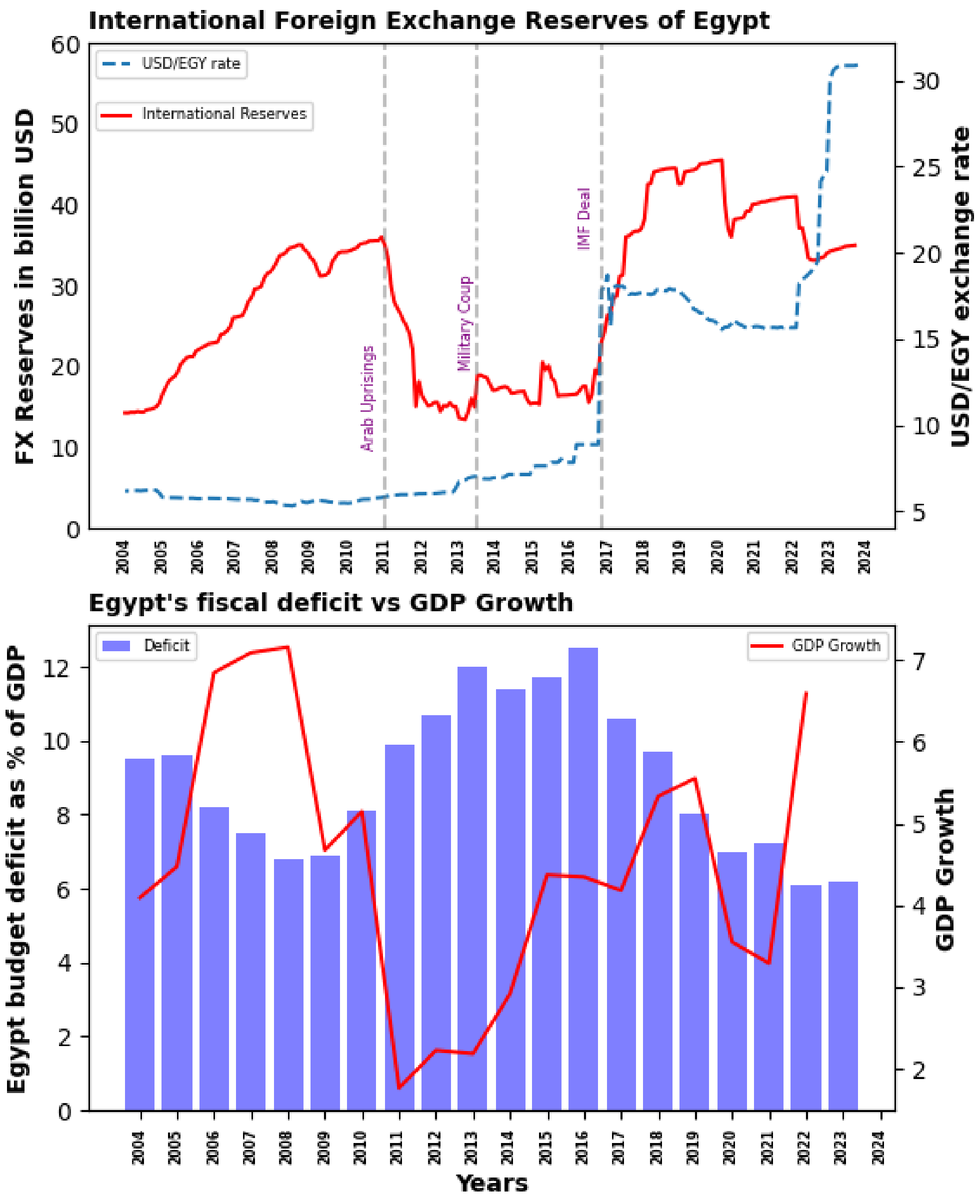

Figure 13. Egypt's macroeconomic indicator between 2004 and 2023

Flash deposits to Egypt's central bank from Saudi Arabia and the UAE proved effective in slowing the depletion of international reserves and assisting in maintaining the country's economic stability. As can be seen in the top graph of Figure 13, Egypt achieved to stabilize the international reserves after 2013.

[321] Ibid.

Nevertheless, Saudi and Emirati grants and loans were not sufficient to rescue the nation from its overarching economic challenges. The military regime established after the coup still encountered economic challenges exacerbated since the 2011 Arap Uprisings. Tourism revenues were in decline due to the increasing number of violent events in the country, and budget deficits were on a steep increasing trend since the government was unable to implement reform in taxing and subsidy policy. Nevertheless, the immediate grant and loans disbursed from the Saudi and Emirati governments would provide a breathing space to the military regime in Egypt[322]. Particularly, Saudi and Emirati aid in terms of oil shipments was a substantial lifeline for the Egyptian industrialists. During Morsi's incumbency, oil traders could not import oil because of banks' unwillingness to offer letters of credit to traders in expectation of further economic and political instability in the country. Insufficient provision of oil products was inevitably hindering full capacity production in the industrial sector. Saudi Arabia and the UAE's commitments to maintain the supply of energy resources to Egypt played a crucial role in the recovery of industrial production. This initiative not only bolstered confidence in the domestic economic outlook but also prompted international credit rating agencies to adopt a favorable stance when assessing Egypt's investment environment[323].

Even though the inflow of Gulf aid curtailed the nosedive of the economic outlook for a permanent prescription for economic revival, the IMF program was again brought back into focus. This program had been initiated during the Morsi era but could not be finalized because the Morsi government refrained from implementing the reforms associated with the loan provisions. The required reforms included measures such as imposing value-added taxes on consumer products and arranging reductions in various subsidies. Essentially, the reforms targeted easing the burden on the fiscal system. Nevertheless, the military-led interim government was reluctant to implement long-lasting economic reforms in anticipation of painful public dissent. Instead, it announced that economy management would avoid the austerity measures,

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[322] Ibid.

[323] Country Watch Reviews, "Economic Conditions Egypt," https://advance.lexis.com/api/document?collection=news&id=urn:contentItem:5R7V-P1X1-F11P-X3CT-00000-00&context=1516831.

but it would seek other means to attract funds into the economy[324]. Once again, the military regime followed the footsteps of Mubarak-era investment policies and prepared investment projects that would be advertised to the Gulf countries[325].

Saudi Arabia and UAE were receptive to the idea of promoting investments in Egypt as an effective means for endorsing political establishment. Especially, UAE exhibited an eagerness to formulate a new investment policy in the region, emphasizing encouragement of private sector direct investments as a tool for the fight against 'extremism' and sustaining stability in friendly countries[326]. Moreover, UAE Minister of Presidential Affairs Mansour bin Zayed Al Nahyan underlined the transitory effects of foreign aid on the overhauling economy and suggested that "Egypt should think of innovative and non-traditional solutions[327]". He suggested that Egypt would promote direct investments that could be conducive to long-lasting economic stability in the country[328].

After reaching a consensus to increase investment in Egypt, Saudi Arabia, the UAE, and Egypt commenced high-level contacts to devise efficient mechanisms for facilitating and moderating these investments. The first important diplomatic venue for promoting Gulf investment in Egypt was held in December 2013 in Cairo with the broad participation of Gulf Arab financiers and investors. During the investment forum, Egypt's ambassador to the UAE, Ihab Hamouda, lauded the role of Gulf states in fostering investment in Egypt, with special recognition given to the UAE for its initiatives in directing foreign funds to Egypt. He asserted that: "There is a drive by

324 Reuters, "Gulf States Ready to Invest in Egypt State Projects," https://advance.lexis.com/api/document?collection=news&id=urn:contentItem:59J0-WJY1-F11P-X0N1-00000-00&context=1516831.

325 MENA English, "Egyptian Investment Projects Cost $3.2 Bn," https://advance.lexis.com/api/document?collection=news&id=urn:contentItem:597D-CF61-F04Y-T0T3-00000-00&context=1516831.

326 "Uae Continues Its Support for Egypt Says Minister," https://advance.lexis.com/api/document?collection=news&id=urn:contentItem:5GJP-00D1-JCNX-309B-00000-00&context=1516831.

327 Al-Masry Al-Youm, "Arab Aid to Egypt Will Not Last Long, Uae Minister Warns," https://advance.lexis.com/api/document?collection=news&id=urn:contentItem:59PP-8BT1-F11P-X55M-00000-00&context=1516831.

328 Ibid.

the UAE to encourage investors to invest in Egypt in different sectors such as agriculture, education, infrastructure, oil and also tourism[329]". Likewise, Sheikh Mohamed Bin Rashid Al Maktoum of Dubai emphasized that stability and security in the region depend on maintaining stability and security in Egypt. Nevertheless, Despite the mutual praise exchanged between the parties, some obstacles hindered cooperation between Saudi and Emirati businessmen and Egypt. One of the important obstacles was the prosecution process encountered by several prominent Saudi and Emirati investors in Egypt. Signaling UAE's discontent with this problem, Mansour bin Zayed Al Nahyan personally urged Egypt to take legal initiatives to safeguard Arab investments in the country. Beyond seeking solutions for the 18 prominent Saudi and Emirati businessmen affected by Egyptian courts' decisions to annul contracts signed with Mubarak officials, he also advocated for the establishment of a legal mechanism that would protect future Gulf investments from the risks of political persecution and nationalization[330].

Egypt's Saudi partners also shared similar grievances in the Egyptian-Saudi Businessmen Association's meeting in late December 2013. The first point in the agenda of the associations was the legal troubles that a number of Saudi businessmen experienced after 2011, with demands of compensation for some assets that were nationalized by the government. During the launching ceremony of the association, Interim Prime Minister Hazem El-Beblawi pledged to solve all the legal problems that Saudi businessmen have been confronting and promised to create a legal framework for hedging Saudi investments against further legal troubles and risks in the future[331]. In the following month, the associations requested the Egyptian government to amend Egyptian Law 8/1997, which regulates investment guarantees and incentives. Egyptian-Saudi Council Chairman Abdallah bin Mahfouz expressed that the Egyptian government should amend the investment law to extend further

[329] Daily News Egypt, "Gulf States, Minus Qatar, Rally Egypt Investment to Buoy Army Power".

[330] Al-Masry Al-Youm, "Gulf Businessmen Demand Guarantees before Investing in Egypt," https://advance.lexis.com/api/document?collection=news&id=urn:contentItem:5B1K-XG31-JDJN-62NC-00000-00&context=1516831.

[331] Doaa Farid, "Egyptian-Saudi Businessmen Association to Launch on Sunday," https://advance.lexis.com/api/document?collection=news&id=urn:contentItem:5B58-NM51-JDJN-650X-00000-00&context=1516831.

guarantees to the investors. The request of the council to change Egypt's legal base for foreign investments is comprised of five major points and focuses on reversing courts' rulings for annulling business contracts and preventing further legal prosecution without the permission of the Ministry of Investment of Egypt. The proposition of the council also urges the Egyptian government to establish a system for compensating foreign investors' financial losses in case of the cancelation of the contracts[332].

It was evident that Saudi and Emirati policymakers and businessmen were swaying Egypt into replacing the prevailing investment law and formulating a new legal framework that would alleviate investors' concerns about the possibility of losing their assets extrajudicially without any compensation. At that time, Egypt's investment law in force was Law 8/1997. The law regulated foreign investment, and it did not place any legal restrictions on the greenfield or portfolio investments[333]. The law also did not restrict foreign investors from transferring ventures' profits out of Egypt or determining the location of the investment in Egyptian soils. Furthermore, the law provided various taxation exemption benefits for foreign investors[334]. However, Saudi and Emirati investors claimed that the law had ambiguities and loopholes in arbitration and conflict resolution clauses that could be exploited by governmental bodies to their advantage[335].

Nonetheless, in 2014, Saudi Arabia and UAE's political concerns outweighed the economic grievances of the Saudi and Emirati investors in Egypt. In that year, Egyptian citizens went to ballots to elect the country's president after the military coup. UAE and Saudi Arabia declared they do not support any particular presidential

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[332] Daily News Egypt, "Saudi Businessmen Propose Bill to Amend Egyptian Investment Law," https://advance.lexis.com/api/document?collection=news&id=urn:contentItem:5B8P-BGY1-JDJN-607M-00000-00&context=1516831.

[333] Country Watch Reviews, "Economic Conditions Egypt".

[334] Adham Youssef, "Workers in Al-Sisi's Egypt's: Muted by Promises of 'Development'," *Daily News Egypt*, https://advance.lexis.com/api/document?collection=news&id=urn:contentItem:5G67-37G1-F11P-X2H6-00000-00&context=1516831.

[335] Keyan Lai, "National Security and Fdi Policy Ambiguity: A Commentary," *Journal of International Business Policy* (2021).

candidate in Egypt, and some officials claimed the purpose of foreign aid and investments is only to sustain economic development and wealth of people[336]. However, some sources claimed otherwise and underlined that foreign aid from Saudi Arabia and the UAE to Egypt was imbued with motivations to influence the political landscape in the country. Reportedly, Saudi Arabia explicitly stated its intentions prior to the 2014 presidential elections, declaring that economic aid would not be disbursed until their supported candidate, Abdel Fattah el-Sisi, won the presidential elections[337]. Indeed, after el-Sisi was elected as president and assumed office in June 2014, Saudi Arabia and the UAE acted more confidently in configuring their foreign policies towards Egypt.

Following the elections, Saudi Arabia and the UAE implemented measures to provide financial support to the newly elected President el-Sisi, aiming to ensure Egypt's financial stability during his initial year in office. The UAE was urging private businessmen to invest even though Emirati businessmen had revealed their reservations about the investment environment in Egypt. While the Egyptian government was grappling with the legal troubles confronted by Saudi and Emirati companies after 2011, the macroeconomic landscape of the country was not also conducive for foreign investors. To address the deteriorating macroeconomic indicators of Egypt, the UAE hired private consultant companies, Lizard and Strategy & Booz, to assist Egypt in overhauling the overall macroeconomic outlook and forming a framework for economic reforms[338]. Moreover, these consulting firms were tasked with the responsibility of offering recommendations to the Egyptian state to improve conditions for attracting foreign direct investments[339].

[336] Al-Masry Al-Youm, "Uae: Our Aid to Egypt Will Not Last Forever," https://advance.lexis.com/api/document?collection=news&id=urn:contentItem:5C03-F8D1-JDJN-61KN-00000-00&context=1516831.

[337] "Saudi Arabia to Provide Aid to Egypt If Sisi Becomes President," https://advance.lexis.com/api/document?collection=news&id=urn:contentItem:5C0D-39H1-JDJN-61P5-00000-00&context=1516831.

[338] Weekly Ibex, "Uae Hires Advisers to Help Cairo Reforms," https://advance.lexis.com/api/document?collection=news&id=urn:contentItem:5DVR-1T11-DXCW-D11C-00000-00&context=1516831.

[339] Ziadah, "The Importance of the Saudi-Uae Alliance: Notes on Military Intervention, Aid and Investment."

Coinciding with the recommendation of the private consultation firms, In November 2014, President Abdel Fattah el-Sisi announced that the Egyptian government was preparing to enact a new investment law during a meeting with Saudi businessmen. In the following week, Egyptian Prime Minister Ibrahim Mahlab confirmed the drafting of the new investment law and asserted that new legislation would help Egypt attract more FDI from "brother Arab countries"[340]. In addition to the announcement of the new investment law, the government took palpable initiatives to solve Saudi and Emirati investors' legal problems with the Egyptian courts. Particularly after the Egyptian government revealed a concrete roadmap for the solution of legal problems encountered by Saudi company El-Rehab, Salah Kamal, a prominent Saudi businessman in Egypt, announced that a group of Saudi investors would establish a new investment firm with a $3 billion capital[341].

In the second quarter of 2014, Saudi and Emirati companies revealed their new investment projects, focusing on real estate, tourism, and energy sectors. According to Egypt's Ministry of Investment, approximately 65% of the UAE's investments in Egypt targeted tourism and real estate development sectors by 2014[342]. UAE's investments represented nearly 30% of all investments directed into the hospitality and real estate sector in Egypt[343]. Two of the important Saudi and Emirati investments in 2014 were UAE's Aabar company, a subsidiary of UAE's sovereign wealth fund, investment into Egypt's Palm Hill company, which is one of the largest real estate developers in Egypt[344], and Saudi and Emirati firms' investments to Suez

[340] MENA English, "Egypt Working on New Law to Attract More Fdi," https://advance.lexis.com/api/document?collection=news&id=urn:contentItem:5DNK-N4M1-JCNX-31C1-00000-00&context=1516831.

[341] "Egypt- Saudi Arabian Firm Investing in Suez Canal Targets Egp 300bn in Capital: Sheikh Kamel," https://advance.lexis.com/api/document?collection=news&id=urn:contentItem:5DP1-BFW1-JCNX-321P-00000-00&context=1516831.

[342] Abdel Razek Al-Shuwekhi, "$10bn Total Uae Investments in Egypt: Gafi Head," https://advance.lexis.com/api/document?collection=news&id=urn:contentItem:5DPX-8331-F11P-X39T-00000-00&context=1516831.

[343] Business Monitor Online, "Egypt Was 2014 Most Attractive Fdi Destination," https://advance.lexis.com/api/document?collection=news&id=urn:contentItem:5GJF-1JP1-F0J5-82GV-00000-00&context=1516831.

[344] MENA English, "Uae's Aabar Acquires 5.1 Percent Stake in Egyptian Palm Hills," https://advance.lexis.com/api/document?collection=news&id=urn:contentItem:5DJN-40W1-F04Y-T2R5-00000-00&context=1516831.

Canal development scheme[345]. Among these investments, the latter was noteworthy because of its central role in the conflict between Morsi and the Egyptian military. During Morsi's presidency, the government refused to extend privileges to military-owned companies in the Suez Canal development project and invited companies from India to participate in the procurement process for Canal[346]. The military had been furious about Morsi's decision and asserted that "there will be no title given to land near the Suez"[347], protesting the involvement of foreign parties in the Suez Canal. The military had extensive rights to issue business licenses for foreign companies seeking to conduct business around the Suez Canal. In conflict with the Morsi government, the military had clearly expressed that no foreign business initiative would be permitted in Suez without the approval of the armed forces. In the context of Saudi and Emirati investment in 2014, it could be suggested that the military institution was receptive to the investment from these countries.

In addition to the Suez Canal Development project, the Egyptian military was also lukewarm in providing licenses to Saudi and Emirati firms in crucial land reclamation projects such as Toshka and Sharq El Oweinat projects[348]. The Toshka project was initiated during the incumbency of Mubarak in 1996, but the management of the project was granted to the Egyptian military. Over time, Toshka and Sharq El Oweinat projects became an attractive locus of investment for Saudi and Emirati firms such as Kingdom Holding Company and al-Dahra, affiliated with the ruling classes of Saudi Arabia and UAE, respectively[349]. The military restricted foreign investors' participation in the project with the exception of a few privileged Gulf-oriented firms[350].

[345] Al-Shuwekhi, "$10bn Total Uae Investments in Egypt: Gafi Head".

[346] Prina, "Taking Care of Their Own: The Causes and Consequences of Soldiers in Business."

[347] Shana Marshall, "The Egyptian Armed Forces and the Remaking of an Economic Empire," (Carnegie Endowment, 2015).

[348] Reuters, "Saudi Firm in $400m Farm Investments in Africa," https://advance.lexis.com/api/document?collection=news&id=urn:contentItem:576F-2541-DXHR-90H1-00000-00&context=1516831.

[349] Henderson, "Gulf Capital and Egypt's Corporate Food System: A Region in the Third Food Regime."

[350] Ibid.

In 2015, the Egyptian government finally drafted a new investment law, and parliament approved the proposed bill on March 4, 2015[351]. New investment law provided extended guarantees to investors for mitigating risks of nationalization, confiscation, and expropriation by the Egyptian government. The law elaborated under which conditions Egyptian government may resort to nationalization of the foreign assets, and clarified that full compensation should be paid immediately and fair manner in case of nationalization decision is upheld. By explicitly defining the arbitration and conflict resolution mechanisms in new investment law, the Egyptian government were restricting its ability to securitize the FDI by manipulating the ambiguities in the law so as to nationalize the foreign asset[352]. The new law also offered attractive tax incentives for foreign investors. Under this provision, foreign investors could benefit from tax exemptions of up to 50% of their investment costs when investing in prioritized locations[353].

Moreover, the new investment law addressed the concerns of Saudi and Emirati investors whose investment contracts had been nullified by Egyptian courts because of the interim governments' investigation into business relations during the Mubarak era. The law introduced a new provision that prohibited third parties from initiating disputes against business contracts in the courts[354]. In other words, the individuals who are not parties to the contract are barred from filing lawsuits against the involved parties in Egyptian courts concerning the formation of the contract. The law also contained articles that provided a new dispute resolution mechanism that may allow investors and state officials to circumvent the court system[355]. The clauses

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[351] Ahram Online, "Egypt’s Sisi Ratifies New Investment Law," https://english.ahram.org.eg/NewsContentP/1/270053/Egypt/Egypts-Sisi-ratifies-new-investment-law.aspx.

[352] Lai, "National Security and Fdi Policy Ambiguity: A Commentary."

[353] Moataz Hussein, "New Egyptian Investment Law: Eyes on Sustainability and Facilitation – Investment Treaty News," https://www.iisd.org/itn/en/2018/10/17/new-egyptian-investment-law-eyes-on-sustainability-and-facilitation-moataz-hussein/.

[354] Ahmed Farouk. Ghoneim, "The Egypt Economic Development Conference: Success or Failure?," https://www.mei.edu/publications/egypt-economic-development-conference-success-or-failure.

[355] Arab Finance, "Gafi to Promote Inward Investment into Egypt," https://advance.lexis.com/api/document?collection=news&id=urn:contentItem:5RVB-B3F1-JDJN-63KR-00000-00&context=1516831.

pertinent to the involvement of third parties in the conflicts and the introduction of new arbitration mechanisms served as the legal basis for terminating the prosecution process against several Saudi and Emirati firms after the 2011 uprisings. An early and prominent example of the implementation of the new law can be seen in Saudi Prince Al-Waleed Bin Talal's case with Egypt, in which the Egyptian court rejected a case that demanded the cancelation of the Prince's contract with the government to obtain state lands from Toshka project[356].

After changing the legal framework for foreign investments through the enactment of the new investment law, Sisi has become more confident in inviting Arab and foreign investors to the country. On March 13, 2015, Egypt held a conference in Cairo, named as Egypt Economic Development Conference (EEDC), with the participation of political leaders and businessmen from 112 states. Despite the broad-level involvement in the conference, which was important for Egypt to bolster the legitimacy of the regime, Egypt particularly watched the participation of the Gulf countries, whose economic support to Egypt played a substantial role in keeping Egypt insolvent since the military coup. Ruler of the Gulf countries took their respectable places in the conference and reiterated Egypt's inextricable place in regional security. Sisi framed the organization as a platform where Arab leaders may coordinate their foreign aid, loans and investment to Egypt to support the economic stability in Egypt. In the conference, Saudi Arabia and the UAE pledged $12 billion in flash deposits to Central Bank and investment[357]. Indeed, the conference served as a political showcase to demonstrate the support of Gulf countries for President Sisi's government and to coordinate investments and loans for the economic support of the North African country. Additionally, the conference signaled the willingness of Saudi and Emirati leaders to participate in economic reform initiatives in Egypt, either by offering direct technical assistance or by engaging top-level economic consultants on behalf of Egypt[358].

[356] Mohamed Ayyad, "Saudi Prince Al-Waleed Eyes Investment Opportunities in Egypt," https://advance.lexis.com/api/document?collection=news&id=urn:contentItem:5GPY-RMK1-F11P-X28C-00000-00&context=1516831.

[357] Ghoneim, "The Egypt Economic Development Conference: Success or Failure?".

[358] Ibid.

The only exception in the invitation list from Gulf countries was Qatar, whose ties with Egypt soured after the military coup due to Qatar's palpable support to the Muslim Brotherhood-linked Morsi government. After the military coup in 2013, the economic and political ties between Egypt and Qatar deteriorated to the point that Egypt accused Qatar of being the "axis of evil" for forces operating against Egypt[359]. After the military takeover, prevailing investment agreements in Egypt were put on hold. Egypt also returned $2 billion USD to Qatar, which was transferred as a deposit during Morsi's incumbency[360]. Egypt's deteriorating relationship with Qatar was not only supported by the political figures in Egypt but also by prominent businessmen who called for the termination of ties with Qatar. To illustrate, Egyptian Business tycoon Naguib Sawiris accused Qatar of supporting terrorism in Egypt and demanded the rupture of political and economic ties with Qatar, a decision which would affect 210 Qatar-affiliated companies operating in Egypt[361]. Changing political and economic relationships between Qatar and Egypt hint to what extent business and politics are intertwined in the region, and these swift changing trends even surprised the experienced businessmen familiar with the region's dynamic. One banker from Dubai explains that:

> "In the Middle East, politics plays a major role in business, unlike most other regions and Qatar-Egypt relations are a perfect example of that. At the time of Morsi's rule, we were pitching several investment options to the Qataris in Egypt and they were receptive. Today, at least two of those transactions are on hold because the relations have soured[362]".

In the year following the investment conference, Egypt witnessed an acceleration of relations with Saudi Arabia and the UAE, encompassing both political and economic repercussions. In April 2016, Saudi Arabia signed a memorandum of understanding in Egypt to establish an investment fund with a total capital of $16 billion USD

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359 Beesan Kassab, O'Connell, Daniel, Salah, Ehsan, Tharwat, Hazem, and Najih Dawoud, "The Enemy You Know: Why Egypt Is Turning to Qatar to Weather Crisis," *Mada Misr*, https://t.ly/Tr8iy.

360 Daily News Egypt, "Gulf States, Minus Qatar, Rally Egypt Investment to Buoy Army Power".

361 Mubasher, "Sawiris Calls for Pulling Egyptian Investments from Qatar," https://advance.lexis.com/api/document?collection=news&id=urn:contentItem:5NPW-XBJ1-F11P-X3PD-00000-00&context=1516831.

362 Daily News Egypt, "Saudi and Egyptian Businessmen Freeze Investments in Egypt".

during 80-year-old King Salman bin Abdelaziz Al Saud's unusual four-day visit to Cairo. King Salman and El-Sisi also signed a number of agreements for improving the infrastructure of Egypt, such as the construction of a free zone and housing units in Sinai province, building a 2250 megawatt electricity plant at a cost of $2.2 billion USD[363], and developing an industrial zone along the Suez Canal[364]. During the King's visits, Egypt also signed a deal with Saudi Arabia's Ministry of Agriculture to allocate approximately 2020 km^2 of arable lands for the agricultural investments of Saudi businessmen[365]. In addition to the investment agreement, the Saudi King authorized a deposit of $2 billion to Egypt's Central Bank[366].

In conjunction with King Salman's visits, Saudi construction companies revealed their projects in Egypt, especially prioritizing Egypt's mega project of constructing new administrative capital. Saudi Egyptian Construction Company (SECON) shared the details of their participation in the projects with $243 million capital paid by Saudi Arabia and Egypt governments in which Saudi Arabia paid with cash and Egypt granted state lands in New Cairo, New Assiut, and New Damietta provinces[367]. Likewise, Saudi investor Prince Al Waleed bin Talal Al Saud also unveiled his company's project to expand their hospitality investments in Sharm el-Sheikh province in partnership with Egypt's Talaat Moustafa Holding Group[368].

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[363] The Times of Israel, "Egypt, Saudi Arabia Agree on $16b Fund, Settle Maritime Spat," https://advance.lexis.com/api/document?collection=news&id=urn:contentItem:5JH3-HWR1-JDJN-607J-00000-00&context=1516831.

[364] Financial Services Monitor Worldwide, "Saudi Boosts Egypt Ties with $16bn Investment Fund," https://advance.lexis.com/api/document?collection=news&id=urn:contentItem:5JHB-5MC1-JDJN-63H8-00000-00&context=1516831.

[365] MENA English, "Egypt to Allocate 500,000 Acres of Arable Lands to Saudi Investors: Saudi Minister," https://advance.lexis.com/api/document?collection=news&id=urn:contentItem:5JHH-GHX1-JDJN-63TY-00000-00&context=1516831.

[366] "Egypt to Get Usd2b Deposit from Saudi Arabia," https://advance.lexis.com/api/document?collection=news&id=urn:contentItem:5KH2-1KF1-JCNX-31B6-00000-00&context=1516831.

[367] Daily News Egypt, "Secon Begins Its Riyadh Project in Egypt," (2016), https://advance.lexis.com/api/document?collection=news&id=urn:contentItem:5K5N-K2X1-JDJN-63J3-00000-00&context=1516831.

[368] Yerepouni Daily News, "Billionaire Saudi Prince to Invest About $800 Million in Egypt," https://advance.lexis.com/api/document?collection=news&id=urn:contentItem:5P6P-2BR1-F11P-X491-00000-00&context=1516831.

Following the Saudi King's visit to Egypt, The UAE embarked on high-level official contacts with Egypt. In the same month, Mohamed bin Zayed al-Nahyan visited el-Sisi in Cairo. During his visit, Nahyan announced that UAE's previous pledge of $4 billion USD at the Egypt Economic Development Conference (EEDC) in 2015 will be realized in the form of $2 billion USD as Central Bank deposits and $2 billion USD of investments. He iterated the UAE's political support shed behind the el-Sisi, and underlined the interaction between the UAE's financial support and Egypt's strategic role in sustaining regional security:

> "The aid comes in the framework of strategic cooperation and coordination between the two countries, out of the UAE's firm supportive position toward Egypt and its brotherly people to promote the construction and development process and out of recognition of Egypt's pivotal role in the region. Egypt is a pillar of stability and the safety valve for the region due to its strategic location and the security and leading role it plays[369]".

In conjunction with Nahyan's announcement, the UAE's Abu Dhabi Investment Authority also conveyed its intent to participate in real estate projects associated with the construction of the New Administrative Capital located east of Cairo. It is noteworthy that this project is considered one of the pivotal initiatives of Sisi aimed at enhancing legitimacy among the Egyptian population[370]. The idea of building a new administrative center on the outskirts of Cairo was inaugurated in 2015 in the scope of President el-Sisi's new development vision with an estimated cost of $45 billion. The project envisioned the involvement of both public and private partners. Especially, Egypt's big conglomerates with good ties with President Sisi, such as Hassan Allams Group and Talaat Moustafa Holding Group, signed lucrative contracts with the state agencies. Notably, similar to Toshka land reclamation and Suez Canal development projects, the Egyptian military stood at the front of the projects with its military-affiliated companies[371]. The Egyptian government

[369] Al-Masry Al-Youm, "Uae to Provide $4 Bn Aid to Egypt for Development and Central Bank," https://advance.lexis.com/api/document?collection=news&id=urn:contentItem:5JKN-VM21-JDJN-64BV-00000-00&context=1516831.

[370] Daily News Egypt, "Egypt, Uae Discuss Cooperation in Real Estate Projects," https://advance.lexis.com/api/document?collection=news&id=urn:contentItem:5JMY-NS01-F11P-X221-00000-00&context=1516831.

[371] Andrew England, "A New Capital in the Egyptian Desert: Sisi's Military Model for the Economy," *Financial Times*, https://www.ft.com/content/00a7b285-87c8-448c-998e-30457d1af85c.

established the Administrative Capital for Urban Development (ACUD) company to manage the project in designated areas. The company's board of directors comprised 13 members, including four generals from the military[372].

5.2.5. The IMF Deal of 2016 and Afterwards

In 2016, President el-Sisi actively engaged in efforts to convince both Gulf Arab and other international business actors to assess investment opportunities in Egypt. Even though the inflow of funds from every corner of the world would be valuable for Egypt, el-Sisi particularly targeted the Gulf Arab investment. The president was capitalizing on the fragile security environment in the region, and using Egypt's strategic salience to regional security so as to negotiate more external funding from the international and regional partners. In his public utterances and official visits, he emphasized to what extent Egypt's relatively stable political landscape would serve as an anchor to regional security, and he signaled that maintenance of the political stability in Egypt and the region hinges on international actors' persistent backing:

> "While the Middle East continues to suffer from bloody conflicts, Egypt has managed to preserve its stability in the midst of a highly unstable region [...]. The international community must acknowledge and support this fact, to the benefit of the region and the world at large, so that Egypt may continue to act as an anchor of stability in the Middle East, sparing no effort in carrying out its natural role by working with regional and international parties to restore security and stability in the region[373]."

The Gulf Arab countries, with a prominent exception of Qatar, already acknowledged Egypt's prominent role in the security complex of the region and provided generous loans and financial aid to keep Egypt and its military regime financially stable after 2013. With the UAE's latest commitment of $2 billion as deposits to the Central Bank of Egypt in 2016, the total deposits conveyed to Egypt surpassed $6 billion since the inauguration of President El-Sisi's incumbency in June

[372] Daily News Egypt, "The New Administrative Capital—a Real Estate Project and Seat of Government," https://www.dailynewsegypt.com/2017/09/18/new-administrative-capital-real-estate-project-seat-government/.

[373] Abdel Fettah El-Sisi, "President El Sisi Delivers Un General Assembly Address," https://egyptembassy.net/news/news/president-el-sisi-delivers-un-general-assembly-address/.

2014. Deposits from Gulf countries had played a crucial role in slowing down the decrease in Egypt's international reserves, contributing to Egypt stabilizing its Egyptian Pounds and assisting the Bank to fight against the emergence of higher mark-up prices for foreign exchanges in black markets by providing necessary foreign exchanges to domestic buyers[374].

However, while Saudi and Emirati leaders considered direct investments into Egypt as an efficient and enduring substitute for foreign aid and deposits to help the Egyptian government sustain stability in Egypt, the Saudi and Emirati private investors asserted the need to address certain legal and macroeconomic hurdles to expedite the foreign investments in the country. With the enactment of the new investment law, Egypt relieved some of the grievances of Saudi and Emirati businessmen by extending further guarantees and incentives for foreign investment. In addition, the new law established a legal framework for resolving previous conflicts between Saudi and Emirati investors and the Egyptian government. Nevertheless, the promulgation of the investment law was not deemed sufficient to surge foreign investment into the country. Egypt was urged to address the second major hurdle in encouraging foreign investments, which was the fragile macroeconomic outlook and lack of political momentum to implement fiscal and financial reforms.

In devising efficient policy responses to Egypt's persistent economic problems, Saudi Arabia and the UAE's policy recommendations were aligned with the IMF's prescriptions for economic reforms. These nations encouraged Egypt to adopt policies to reduce subsidies, which posed a considerable burden on the budget, and to seek solutions to Egypt's dwindling exports proactively. These policy recommendations have also been conveyed by consultancy firms hired by UAE[375]. Thus far, Egypt has refrained from engaging in negotiations with the IMF, anticipating public backlash due to the potential implementation of reforms tied as

[374] Hossam Mounir, "Gulf States Provide Egypt with $6bn to Support Foreign Reserves," *Daily News Egypt*, https://advance.lexis.com/api/document?collection=news&id=urn:contentItem:5JYP-GDB1-JDJN-60XM-00000-00&context=1516831.

[375] Ziadah, "The Importance of the Saudi-Uae Alliance: Notes on Military Intervention, Aid and Investment."

preliminary conditions to the loan package. Reducing subsidies, for instance, would lead to an increase in prices for essential consumer goods, exacerbating the prevailing poverty in the country. Additionally, devaluing the Egyptian pound to stimulate exports could rapidly raise the prices of imports, significantly diminishing the purchasing power of those reliant on these imported goods. Notwithstanding Egypt's domestic concerns regarding negotiating with the IMF, Saudi Arabia and the UAE did not change their policy preference of endorsing Egypt to engage with the IMF and satisfying the pre-conditioned reforms, which was deemed significant for bolstering the foreign investors' confidence in Egypt.

Furthermore, Egypt's agreement with the IMF's terms would present additional advantages to Saudi Arabia and the UAE. In addition to fostering a conducive financial environment to boost investment in Egypt, encouraging Egypt to contrive a successful deal with the IMF would be helpful to relieve the urgency of transferring flash deposits to Egypt's Central Bank, splitting some of the financial burden on the shoulders of the IMF. This point is emphasized by Timothy Kaldas, an expert in the political economy of Egypt, in a personal interview:

> "This was a time [Egypt's IMF deal in 2016] when justifying to their [Saudi Arabia and UAE] own public continuing to pour money into Egypt was getting more complicated. The IMF deal offered a solution where Egypt would get an injection of capital from the fund, and in turn, that would catalyze investments and financing. Thereby, Egypt was able to build up a pretty enormous budget that allowed it to buy out the black market crush basically, and with the devaluation of the Egyptian Pound, establish confidence in the price of the Pound. So, the IMF program allowed the Gulf to distribute the cost of keeping the regime afloat, keeping the economy functioning, and helping Egypt get out of this financial crisis without destabilizing Egypt.[376]"

In the culmination of the international endorsements, Egypt agreed with IMF on a $12 billion package in August 2016, which was delivered as a 3-year loan. The UAE burdened guarantor role in the loan agreement[377]. After the finalization of the deal, the government promptly responded by implementing reform measures associated

[376] Timothy Kaldas, interview by author, 2014, January, Online.

[377] Kassab and Dawoud, "The Enemy You Know: Why Egypt Is Turning to Qatar to Weather Crisis".

with the IMF package. The parliament approved the introduction of a 13% value-added tax and agreed to cut subsidies on fuel and electricity. Additionally, the government decided to float the Egyptian Pound, resulting in a sharp depreciation. The primary expectation was that a weaker Egyptian Pound would be conducive to improving exports[378].

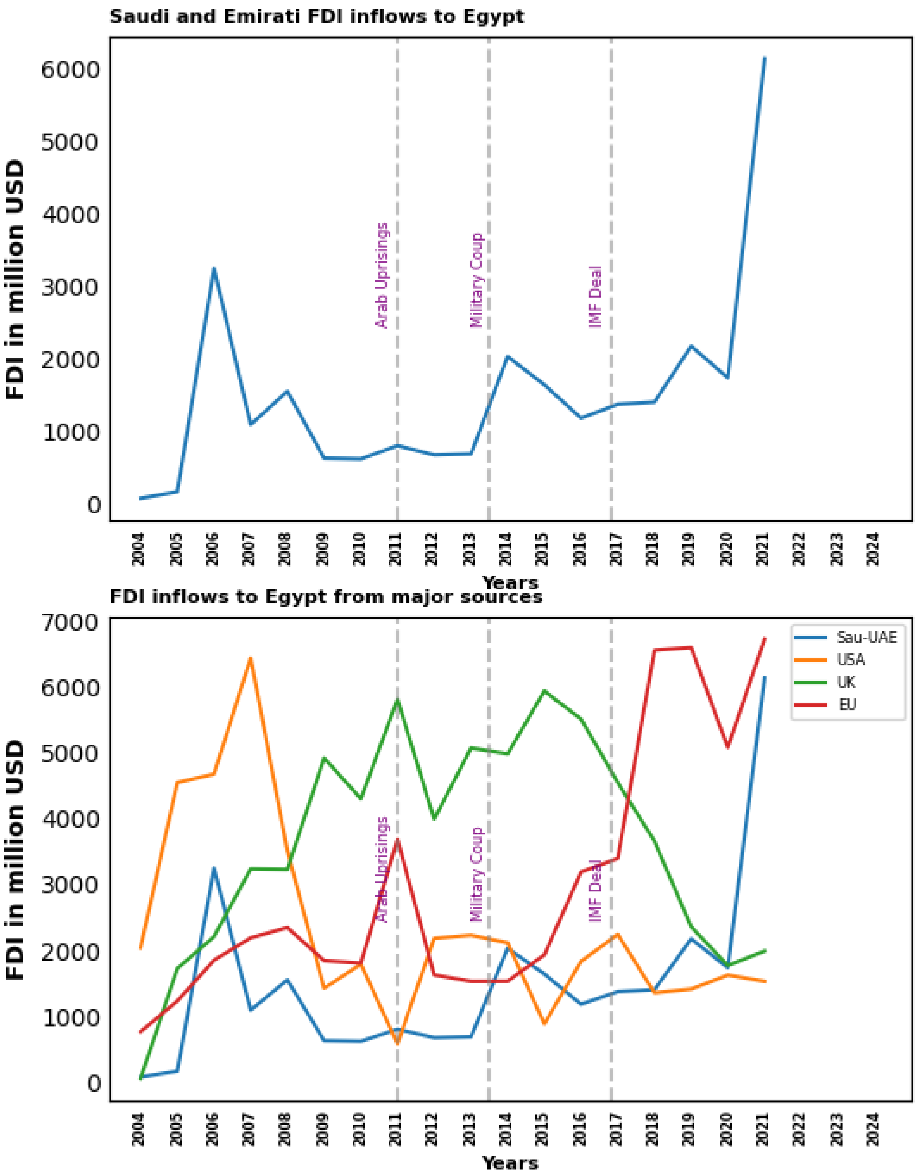

Figure 14. Saudi and Emirati FDI inflows in Egypt[379]

[378] Country Watch Reviews, "Economic Conditions Egypt".

[379] Central Bank of Egypt, "Net Foreign Direct Investment [Dataset]," https://www.cbe.org.eg/en/economic-research/time-series/downloadlist?category=623F34508AE148C1969795A8F78FDA49.

After the IMF deal and devaluation of the Egyptian Pound, Egypt experienced a re-invigoration of the Saudi and Emirati investments. As can be seen in the top graph of Figure 14, aggregated Saudi and Emirati FDI inflows gained increasing momentum, ushering in a different epoch in investing in Egypt. These incoming Saudi and Emirati investments after this period are particularly characterized by three important trends. First and foremost, Saudi and Emirati investments were concentrated in a number of labor-intensive sectors. Notably, the construction sector in Egypt had become a safe and lucrative port for the incoming Gulf investments, and prominent business giants from Saudi Arabia and UAE conducted business, usually in partnership with private and public domestic business agents. Notably, five out of the eight biggest conglomerates conducting business in Egypt’s construction sector are affiliated with Saudi and Emirati actors among whom some of them are linked to either ruler families or official state agencies[380].

Second, the Sovereign Wealth Funds of Saudi Arabia and UAE have begun to play a more prominent role in getting involved in several joint projects and privatization schemes. The sovereign wealth funds from these Gulf countries opted for establishing subsidies in Egypt for coordinating their investments and sought the cooperation of the Egyptian government either to establish joint ventures with state-owned enterprises or partake in purchasing substantial shares of the publicly listed formed state-owned enterprises. An important instance of investment cooperation between Gulf Arab countries and Egypt was Saudi Arabia's announcement of the establishment of an investment fund during King Salman's visit to Cairo in 2016. Similarly, the UAE unveiled a comparable initiative in 2019, declaring the creation of a joint investment fund with Egypt valued at $20 billion. The UAE attributed the establishment of the fund to the strategic alliance between the UAE and Egypt, specifying that joint investment ventures would be equally funded by the Abu Dhabi Developmental Holding Company (ADQ) and the Egypt Sovereign Wealth Fund.[381].

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[380] Business Monitor Online, "Egypt Real Estate Competitive Landscape," https://advance.lexis.com/api/document?collection=news&id=urn:contentItem:5WW6-NXF1-F0J5-80RT-00000-00&context=1516831.

[381] Daily News Egypt, "Egypt, Uae Set up a $20bn Investment Partnership During Al-Sisi's Visit to Abu Dhabi," https://advance.lexis.com/api/document?collection=news&id=urn:contentItem:5XH2-S111-JDJN-641C-00000-00&context=1516831.

After the conclusion of the agreement, ADQ was involved in several investment decisions. In 2021, ADQ and UAE-based real estate development company Aldar, which is owned by UAE's Mubadala sovereign wealth fund[382], obtained 51% of Sixth Of October For Development Investment Company (SODIC) shares, which is a major player in Egypt's real estate sector[383].

Most importantly, ADQ negotiated to buy stakes in former state-owned companies that were offered to the public during Egypt's privatization schemes. The company acquired substantial shares from Commercial International Bank, Alexandria Container and Cargo Handling Company, Misr Fertilizers Production Company (MOPCO), and Abu Qir Fertilizers and Chemical Industries Company[384].

Coinciding with the initiation of UAE-sponsored investment fund's investment ventures in Egypt, Saudi Arabia's Public Investment Fund (PIF) signed a memorandum of understanding with Egypt to form a joint investment company with \$10 billion capital. The agreement exhibited great similarity with UAE-affiliated ADQ's agreement with Egypt since it included the Egyptian Sovereign Fund as a substantial partner in the established venture[385]. A member of the Saudi Cabinet and Minister of State for Shura Council Affairs commented on the agreement between Saudi Arabia and Egypt in an interview and denoted that the idea of establishing an investment company in Egypt derives from the Saudi Crown Prince, Mohammed bin Salman. He also asserted that the incentive embodies motivations beyond the economic considerations:

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[382] Young, *The Economic Statecraft of the Gulf Arab States*.

[383] MarketLine Financial Deals Tracker, "Aldar Properties to Acquire 51% Stake in Sixth of October for Development Investment (Sodic)," https://advance.lexis.com/api/document?collection=news&id=urn:contentItem:63N8-JVG1-F0RR-F2FS-00000-00&context=1516831.

[384] Chemicals Monitor Worldwide, "Uae's Adq Invests in Egypt to Boost Its Economy," https://advance.lexis.com/api/document?collection=news&id=urn:contentItem:6574-W791-F11P-X4C9-00000-00&context=1516831.

[385] Financial Services Monitor, "Egypt, Saudi Public Investment Fund Sign Investment Agreement," https://advance.lexis.com/api/document?collection=news&id=urn:contentItem:6545-9111-JDJN-6260-00000-00&context=1516831.

> "It is true that the goal of the agreement is investment, but there are other strategic goals to support the Egyptian people, whom we consider a brother to the Saudi people, and they are linked by one gene[386]".

After the ratification of the agreement, PIF established its investment arm, Saudi Egyptian Investment Company (SEIC), in Egypt. Following the footsteps of its Emirati sister, SEIC acquired stakes from Abu Qir Fertilizers, Misr Fertilizer Production Company (MOPCO), Alexandria Container and Cargo Handling Company, and E-Finance for Financial and Digital Investments by investing in approximately $1.3 billion[387]. In 2022, the company offered $200 million to acquire a majority stake in Egypt's state-owned aluminum company Egyptalum in a planned scheme of capital increase[388].

Third, as Egypt's macroeconomic outlook swiftly deteriorated after the Covid-2019 crisis and the outbreak of the Russian invasion of Ukraine, Egypt's financial stability became more dependent on the inflow of direct investments, especially from its Saudi and Emirati partners. Despite the mounting foreign debt, Egypt's IMF deal in 2016 had a positive effect on ameliorating growth rates and international reserves. As can be seen in Figure 13, after the conclusion of the IMF deal, international reserves swiftly recovered to pre-revolution levels, and the budget deficit began to decrease along with more robust GDP growth. By the completion of the IMF program in 2019, Egypt was less dependent on Gulf countries' urgent financial support to sustain its solvency. However, the COVID-19 pandemic disrupted economic indicators, plunging the nation into a renewed foreign exchange crisis and exacerbating severe fiscal imbalances[389]. Additionally, the exogenous economic

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386 Financial Services Monitor Worldwide, "Egypt to Take Quick Measures to Attract $10b Saudi Investments," https://advance.lexis.com/api/document?collection=news&id=urn:contentItem:6545-9111-JDJN-6261-00000-00&context=1516831.

387 Sharon Benjamin, "Saudi Arabia's Pif Unit Spends $1.3 Billion to Buy Stakes in Four Egypt-Listed Firms," *Arabian Business*, https://advance.lexis.com/api/document?collection=news&id=urn:contentItem:664S-1SN1-F11P-X54F-00000-00&context=1516831.

388 Fatma Salah, "Saudi Arabia's Public Investment Fund to Offer $200m in Capital Increase of Egyptalum," *Daily News Egypt*, https://advance.lexis.com/api/document?collection=news&id=urn:contentItem:66BD-M4S1-F11P-X55N-00000-00&context=1516831.

389 David Butter, "Egypt and the Gulf. Allies and Rivals," *Chatham House*, https://www.chathamhouse.org/sites/default/files/CHHJ8102-Egypt-and-Gulf-RP-WEB_0.pdf.

shock of the Russian invasion of Ukraine and the US Federal Reserve's (FED) decision to increase interest rates deepened Egypt's economic problems further. The war in Ukraine aggravated Egypt's food insecurity, partly stemming from its dependence on agricultural imports from Russia and Ukraine. Specifically, reductions in wheat and sunflower oil imports played a major role in inflating food prices[390]. Moreover, FED's interest hikes exacerbated already stringent economic conditions in Egypt, inflicting more pressure on sustaining the stability of the Egyptian pound and prompting capital flights from the country[391]. Consequently, as the foreign investors fled the country, Egypt's ability to service its foreign debt crumbled[392]. The government's efforts to rebalance the fiscal situation were impeded by escalating food and energy prices, coupled with a significant decline in tourism revenue. This situation placed additional pressure on the Central Bank to stabilize the Egyptian Pound. Paying attention to the IMF's cautionary note, highlighting the potential challenges to Egypt's solvency without urgent external funding[393], the Egyptian government considered buoying direct investments and flash loans from international sources[394].

In 2022, Egypt, once again, resorted to the IMF in order to negotiate the terms of a loan agreement. While negotiating policy conditionalities attached to the support package, IMF noted that the privatization of state-owned enterprises would be on the agenda of the Egyptian government to mitigate the public sector's role in the economy and render the private sector the engine of growth in the country. Furthermore, the IMF acknowledged that the negotiated loan amount would not be

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[390] Michael Tanchum, "The Russia-Ukraine War Forces Egypt to Face the Need to Feed Itself: Infrastructure, International Partnerships, and Agritech Can Provide the Solutions," *Middle East Institute*, https://www.mei.edu/publications/russia-ukraine-war-forces-egypt-face-need-feed-itself-infrastructure-international.

[391] Amr Kandil, "What's Next for Egypt after Us Fed Raised Interest Rate?," *Ahram Online*, https://english.ahram.org.eg/News/465699.aspx.

[392] Kassab and Dawoud, "The Enemy You Know: Why Egypt Is Turning to Qatar to Weather Crisis".

[393] Roll, "Loans for the President: External Debt and Power Consolidation in Egypt."

[394] Zvi Bar'el, "The Saudis Will Invest $8 Billion in Egypt. Now All It Needs Is $142 Billion," *Haaretz*, https://www.haaretz.com/middle-east-news/egypt/2022-06-29/ty-article/.premium/the-saudis-will-invest-8-billion-in-egypt-now-all-it-needs-is-142-billion/00000181-affe-da42-abdd-bfffa1f10000.

sufficient to rescue Egypt from its escalating economic challenges. Consequently, given the decline in national reserves and the private sector's limited access to financial instruments, the IMF considered FDI a valuable financial inflow. According to IMF’s calculation, FDI would provide an external source of finance for the private sector and may relieve the burden on the Egyptian government to finance the private sector, enabling it to allocate more funds to policies targeting poverty reduction[395]. Therefore, the IMF recognized the prominent role of Gulf Arab investors in Egypt's economic landscape. The organization underscored the link between the fund’s program and Gulf-oriented investment by explicitly stating that Saudi and Emirati investments are "a critical part of the program's financing strategy"[396]. IMF envisaged that the program's success depends on Saudi and Emirati commitments of $10 billion USD in the next five years, in addition to renewing the tenure of loans deposited to Egypt’s central bank[397]. Gulf Arab countries appreciated the importance the IMF attached to Egypt’s economic recovery and perpetuation of a negotiated loan agreement. Notably, just before the finalizing of the deal between IMF and Egypt, Saudi Arabia announced that the country will extend the tenure of $5 billion deposits that had been received by the Central Bank of Egypt in March 2022[398].

Signaling their adherence to structural reforms prescribed IMF, the Egyptian government released its State Ownership Policy in June 2022. The policy envisaged enhancing the role of the private sector in the economy, improving the climate for direct investments, realizing financial discipline, and rendering transparency over the financial statements of state-owned enterprises. Most importantly, the policy

[395] Ishac Diwan, "Is Egypt Too Big to Fail or Too Big to Bail? - Assessing Egypt’s State Ownership Policy: Challenges and Requirements," https://carnegie-mec.org/2023/05/08/is-egypt-too-big-to-fail-or-too-big-to-bail-pub-89639.

[396] Arabian Business, "Egypt Needs Saudi and Uae Money after $20bn Pledges," https://www.arabianbusiness.com/industries/banking-finance/egypt-needs-saudi-and-uae-money-after-20bn-pledges.

[397] Riccardo Fabiani and Michael Hanna, "Egypt in the Balance?," https://www.crisisgroup.org/middle-east-north-africa/north-africa/egypt/eygpt-in-the-balance.

[398] Reuters, "Saudi Arabia Extends Term for $5 Bln Deposit in Egypt's C.Bank- State Media," https://www.reuters.com/world/middle-east/saudi-arabia-extends-term-deposit-egypts-cbank-spa-2022-11-29/.

declared that the state would decrease its presence in various business sectors, implying the privatization of some of the state assets in specified sectors[399].

In December 2022, Egypt reached an agreement with the IMF on a $3 billion austerity package. Following the IMF deal, Egypt announced the privatization of a number of state assets in accordance with its Asset Monetization Programme, which subsumed offering minority stakes (up to 30 percent) of three companies to the private sector in an attempt to raise $1.9 billion for the state treasury. UAE's sovereign fund ADQ was involved in a public offering of the state companies and obtained substantial shares from three petrochemical companies 25% of the National Drilling Company, 30% of the Egyptian Ethylene and Derivatives Company, and 35% of the Egyptian Linear Alkyl Benzene Company, with a payment receipt of $800 million[400].

5.2.6. Normalization in the Gulf and its impact on the FDI in Egypt

Following the eruption of Arab Uprisings, Egypt found itself navigating a tense regional political landscape marked by domestic instability, the frailty of authoritarian rulers, a profound distrust among regional actors, and the persistence of proxy wars. After the military coup, Egypt's strategic calculation for optimizing its political interests prompted it to subscribe to the regional security notion of Saudi Arabia and the UAE. Egypt collaborated with Saudi Arabia and the UAE in several crucial foreign policy initiatives in the post-coup epoch. In 2014, Egypt joined a Saudi-led coalition to support Libyan militia leader Khalifa Haftar in Libya's civil war, which it considered a tremendous national security issue, and participated in the Yemen civil war in 2015 against the Iran-backed Houthi rebels. Noteworthy, in 2017, Egypt sided with the United Arab Emirates, Saudi Arabia, and Bahrain, which decided to cut diplomatic and economic ties and impose a naval, air, and land blockade on Qatar. Saudi Arabia and UAE accused Qatar of supporting terrorism and

[399] Doaa Moneim, "Q&A: State Ownership Policy — Cornerstones, Mechanisms - Economy - Business," *Ahram Online*, https://english.ahram.org.eg/News/467927.aspx.

[400] Heba Saleh, "Egypt Announces $1.9bn Sale of State Assets," *Financial Times*, https://www.ft.com/content/986f2f92-3aac-4b3f-a748-e515a0127ef1.

maintaining an intimate relationship with Iran, which is held responsible for intervening in the internal affairs of the countries in the region and sponsoring proxy wars through its military and economic support to separatist groups in conflict-hit countries[401].

When the feud between Qatar and its other GCC brothers was resolved diplomatically, new questions arose around whether Egypt would leverage changing regional security dynamics with Saudi Arabia and the UAE's normalization of ties with Qatar in 2021. After the resolution of the crisis, Egypt embarked on a rapprochement with Qatar, aiming to revive diplomatic and economic relations. The country announced its measures to facilitate easy access to Qatar's investments in the country[402]. Qatar was also receptive to reinvigorating political and economic relations with Egypt after a hostile aberration. In el-Sisi's official visit to Doha in 2022, Qatar reached an agreement with Egypt to deposit $3 billion to Egypt's Central Bank[403]. After several months, Qatar signed a memorandum of understanding with Egypt to establish a joint investment fund with the participation of Qatar's sovereign wealth fund and Egypt's sovereign wealth fund[404], joining Saudi Arabia and UAE in harnessing sovereign wealth funds to invest in Egypt.

In the realm of investment relations between Egypt and Gulf Arab states, Egypt had the opportunity to leverage Qatar as a source of investment to balance the influence of Saudi and Emirati investments. The increasing motivation on the part of Egypt to balance Saudi and Emirati investments can be understood in two ways. Firstly, despite the value of Saudi and Emirati FDI for Egypt in maintaining solvency and regime stability after the military coup, the leaders of these countries consistently pressed Egypt to implement unpopular economic and political reforms as a condition

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[401] Kamrava, *The Political Economy of Rentierism in the Persian Gulf.*
[402] Al Jazeera, "El-Sisi's Doha Visit Ends as Egypt and Qatar Signal Stronger Ties," https://www.aljazeera.com/news/2022/9/14/sisi-visit-to-doha-ends-as-egypt-and-qatar-signal-stronger-ties.

[403] Amr Salah Mohamed, "Realigning Priorities: Egypt's Strategic Shift toward Qatar, Turkey, and Iran," *Middle East Institute*, https://www.mei.edu/publications/realigning-priorities-egypts-strategic-shift-toward-qatar-turkey-and-iran.

[404] Fatma Salah, "Egypt, Qatar to Establish $1bn Joint Investment Fund," *Daily News Egypt*, https://www.dailynewsegypt.com/2023/03/08/egypt-qatar-to-establish-1bn-joint-investment-fund/.

for expediting the inflow of investment. Egypt's stand-by agreement with IMF in 2016 is encouraged, if not engineered, by the UAE with the assistance of hired private economic consultants. Likewise, in the negotiation process that led to Egypt's deal with the IMF in 2022, Saudi Arabia and UAE were quite persistent in encouraging Egypt to agree on the terms of the IMF's package for rescaling their ongoing investments in the country[405]. Reportedly, these countries also urged the IMF to adopt a harsher stance against Egypt in terms of pushing for the implementation of the economic reforms[406].

As the Saudi and Emirati leaders attached the flow of investments and loans to the implementation of particular economic concessions and reforms[407], more complaints on the Egyptian side arose, claiming Saudi and Emirati economic relations with Egypt engender a patron-client relationship[408]. In particular, Saudi Arabia and the UAE's conditioning the sustainability of investments in Egypt on the devaluation of the Egyptian Pound and encouraging Cairo to undertake reforms for a weaker currency have been a contentious issue in the investment relations between these countries[409]. There is a perspective that this conditionality was less about addressing Egypt's broad economic problems for achieving overall prosperity among people and more about lowering the cost of available financial assets for potential acquisition by these Gulf states[410]. The purchase of assets in Egypt by Saudi and Emirati investors is sometimes construed as an extension of their economic statecraft, aimed at bolstering their strategic presence in the region and enhancing their geopolitical

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405 Roll, "Loans for the President: External Debt and Power Consolidation in Egypt."

406 Hafsa Halawa, "Gulf Investment in Egypt: A Balance of Mutual Need - Assessing Egypt's State Ownership Policy: Challenges and Requirements," *Carnegie Middle East Center*, https://carnegie-mec.org/2023/05/08/gulf-investment-in-egypt-balance-of-mutual-need-pub-89641.

407 Vivian Nereim and Vivian Yee, "No More Blank Checks: Saudi Arabia Clamps Down on Regional Aid," https://www.nytimes.com/2023/04/02/world/middleeast/no-more-blank-checks-saudi-arabia-clamps-down-on-regional-aid.html.

408 Kassab and Dawoud, "The Enemy You Know: Why Egypt Is Turning to Qatar to Weather Crisis".

409 Summer Said and Chao Deng, "Saudi Arabia, Gulf Countries Want Better Returns for Bailing out Egypt," *The Wall Street Journal*, https://www.wsj.com/articles/saudi-arabia-gulf-countries-want-better-returns-for-bailing-out-egypt-e6e8b047.

410 Kassab and Dawoud, "The Enemy You Know: Why Egypt Is Turning to Qatar to Weather Crisis".

sway[411]. This approach, as discussed by experts like Amr Adly, who focuses on the political economy of Egypt, may hint at a tension between Egypt's economic autonomy and the strategic objectives of its Gulf allies:

> "I think that they [Saudis and Emiratis] want Egypt to lose more autonomy when it comes to economic policymaking. They believe that the economic policies [of Egypt] were very bad, which resulted in Egypt ending up in a situation very similar to where it was in 2015 despite its huge access to aid and debt. So I think that Saudis and Emiratis want a bigger role via the IMF in setting economic policies, that's one thing, and the Egyptians are pushing back because that would mean a significant reduction in the autonomy that Egypt usually enjoyed vis-a-vis the GCC.[412]"

Hence, Qatar's re-emergence as a major player in Egypt's investment landscape could be considered as a contributing development for improving Egypt's strategic autonomy, especially vis-à-vis Saudi Arabia and the UAE's assertive geoeconomic policies. In this standpoint, a rapprochement with Qatar would ease the Egypt's dependency on economic flows allocated by Saudi Arabia and UAE, presenting an opportunity to diversify source of investments and other type of flows, as well as it would have strengthened Egypt's hand against the assertive stance of the other regional powers. In a personal interview, Mehran Kamrava, an expert on the politics of the Middle East, explained that the quest for autonomy by Egyptian political leaders is a substantial factor in shaping Egypt's foreign policy towards regional actors:

> "In Cairo, the whole idea of strategic autonomy for Egypt, which has historically looked at itself as the leader of the Arab world, is far more resilient and has far more salience for Egyptian policymakers. Egyptians think they need strategic autonomy in relation to, if not so much the Americans but the Saudis. There is a sense of resentment in Cairo among the elite and political leadership about Saudi Arabia and the UAE's patronizing approach. So, the Egyptians are trying to exert their strategic autonomy and enhance investment relations with Qatar, and in the process, they are sending a message [to Saudi Arabia and UAE]. However, that does not mean they do not need to diversify their investors. It is like one stone and more than two birds; it does not have to be an either-or scenario. In my view, the Egyptians

[411] Debbie Mohnblatt, "Gulf's Investments in Egypt Keep Its Economy Afloat and Provide Benefits in Return," *The Medialine*, https://themedialine.org/by-region/gulfs-investments-in-egypt-keep-its-economy-afloat-and-provide-benefits-in-return/.

[412] Amr Adly, interview by author, 2014, January, Online.

> are trying to hit multiple targets by improving relations with Qatar, letting the Saudis and the Emiratis know we have choices, and at the same time, in the process, diversifying and addressing a real need, which is the need for investments in infrastructure and need for Gulf funds.[413]"

Second, the investments from Qatar would extricate Egypt from the necessity of selling substantial shares from state-owned enterprises. The privatization of the state assets had been a highly prioritized topic on the agenda of IMF in its 2022 negotiations with Egypt[414]. Eventually, Egypt offered substantial shares of state-owned enterprises listed in stock exchange, and Saudi and Emirati firms affiliated with sovereign wealth funds of these countries achieved to acquire some of the shares. However, Egypt also halted the acquisition of some state-owned companies, such as Telecom Egypt[415], The United Bank[416], and Medinat Nasr for Housing and Development[417], in which Saudi and Emirati investors are involved. Egyptian government attributed the suspension of the acquisition process to some economic concerns, such as the undervaluation of the company, but some analysts referred to Egypt's rising security concerns[418], and popular discontent over the relinquishing of strategic assets to foreign entities[419].

Thus, Egypt's initiatives to leverage the normalization of relations with Qatar can be construed as an attempt to diversify sources of foreign investors and consolidate a

[413] Mehran Kamrava, interview by author, January, 2014, Online.

[414] Kassab and Dawoud, "The Enemy You Know: Why Egypt Is Turning to Qatar to Weather Crisis".

[415] Mohamed Al-Sadat et al., "Govt Halts Sale of Telecom Egypt Shares to Uae Amid Concerns over Ceding of Strategic Assets, Expectations of Further Pound Devaluation," ibid., https://www.madamasr.com/en/2023/03/29/news/economy/govt-halts-sale-of-telecom-egypt-shares-to-uae-amid-concerns-over-ceding-of-strategic-assets-expectations-of-further-pound-devaluation/.

[416] Daily News Egypt, "Pif in Talks to Acquire United Bank in Egypt for $600m: Bloomberg," https://www.dailynewsegypt.com/2022/12/12/pif-in-talks-to-acquire-united-bank-in-egypt-for-600m-bloomberg/.

[417] Ehsan Salah, "As Levels of Emirati Investment in Egypt Soar, Mbz, Sisi Discuss Security Concerns Hampering Potential Deals," *Mada Misr*, https://www.madamasr.com/en/2022/08/23/news/u/as-levels-of-emirati-investment-in-egypt-soar-mbz-sisi-discuss-security-concerns-hampering-potential-deals/.

[418] Ibid.

[419] Al-Sadat et al., "Govt Halts Sale of Telecom Egypt Shares to Uae Amid Concerns over Ceding of Strategic Assets, Expectations of Further Pound Devaluation".

more autonomous position in relations with Saudi Arabia and the UAE. However, as of the time of writing this thesis, it appears that Egypt's endeavors to attract foreign investment with fewer strings attached have not met with significant success. Furthermore, Egypt has failed to find a source of foreign investment that would spare it from selling stakes for state-owned companies to foreign entities. On the contrary, Egypt provided enticing guarantees on annual return on investment for four years to foreign buyers in the sale of publicly offered state-owned enterprises in 2023, suggesting Egypt’s urgent need to secure external funding in the face of deepening economic troubles[420]. This suggests that Egypt's economic frailties have become a substantial vulnerability in undertaking sound domestic economic policies, as well as in sustaining autonomy in economic relations towards its regional partners . As Timothy Kaldas has reported that the uneven power dynamics Egypt experiences with other regional countries are less a result of regional power rivalry and more a consequence of Egypt's own economic challenges:

> “Egypt hoped to reinvigorate that competition with the Qataris involved. However, Egypt has largely been unsuccessful in this initiative. The result has been that the Qataris’ engagement with Egypt is pretty much along the same lines as the Emiratis and the Saudis: Same sorts of demands, limited appetite to buy a few things but not so aggressively. Now, Egypt's basically on life support. Egypt is getting just enough to keep them afloat and barely, but nowhere near enough to really stabilize the situation or restore any sort of confidence in Cairo. Perhaps the Gulf States prefer it that way: A relatively weak and dependent Egypt.[421]”

5.3. State-Sponsored Investment

Analyzing news coverage of Saudi Arabia and the UAE's investment relations with Egypt from 2000 to 2022 reveals the existence of 29 bilateral agreements signed between state agencies of these nations. These agreements are characterized by their facilitation of designated public or private entities to invest in collaborative projects or business ventures within Egypt. In other words, agreements that solely serve as

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[420] Daily News Egypt, "Abu Dhabi Holding to Invest $800m in Three Egyptian Companies with Government Guarantee - Dailynewsegypt," https://www.dailynewsegypt.com/2023/08/29/abu-dhabi-holding-to-invest-800m-in-three-egyptian-companies-with-government-guarantee/.

[421] Kaldas, "Egypt’s Political Economy: Interview with Timothy Kaldas."

legal or institutional frameworks for investments, or those that consist of unfulfilled commitments or pledges by state actors, do not fall under the category of state-sponsored investments. Thus, the primary focus in compiling the data is on agreements that explicitly authorize pre-designated private or public business entities to invest in Egypt within a well-defined framework.

The compiled data is conducive to revealing the major changing trends of Saudi and Emirati investments in Egypt. The data suggests that the establishment of the military regime following the overthrow of Morsi in 2013 correlates not only with a surge in the absolute amount of Saudi and Emirati FDI but also the intense involvement of the state actors in taking the initiative for expediting bilateral investment. Although Saudi Arabia and UAE's state-sponsored investment agreements were not unprecedented in Egypt before 2013, as can be seen in Table 3, the bilateral agreements leading to Saudi and Emirati investments were preponderantly concluded after 2013. Out of the 29 investment agreements reported, 26 were signed in 2013 and later, suggesting Saudi Arabia and UAE's strategic effort to revitalize the mode of bilateral diplomatic interactions between state entities to facilitate FDI in Egypt. Beyond capitalizing on political resources to establish a legal framework for investment agreements, Saudi and Emirati leaders have actively encouraged sovereign wealth funds and companies associated with ruling families to invest in Egypt. The latter especially demonstrates a "skin in the game" behavior on behalf of Saudi and Emirati leaders, indicating an explicit and significant political involvement in the investment process.

The major trends in the Saudi and Emirati state-sponsored investment in Egypt can be elucidated in three points. First, Saudi Arabia and UAE's state sovereign wealth funds incrementally played a crucial role in financing the investment projects in Egypt. One salient instance is the International Petroleum Investment Company (IPIC), an enterprise owned by UAE's Mubadala fund, which signed an investment contract with Egypt to build a coal-fueled power plant in the Red Sea province in 2014. Likewise, Masdar, another company under the umbrella of the UAE's sovereign wealth funds, has been engaged in multiple investment initiatives within the energy sector. These initiatives include the establishment of green hydrogen production plants in the Suez Canal Economic Zone and on the Mediterranean coast[422]. Notably, Masdar has also committed to the development of a wind-powered renewable energy plant in collaboration with the Egyptian Renewable Energy Authority[423]. These instances underscore the expanding role of Saudi and Emirati sovereign wealth funds in shaping and supporting Egypt's diverse investment landscape.

Additionally, the second notable trend is the acquisition of substantial business contracts by companies either owned or closely linked to the ruling dynasties of Saudi Arabia and the UAE, in connection with the existing investment agreements. To illustrate, Emirati Capital Group Properties, which is a subsidiary of Al Ain Properties owned by UAE ruling family member Sheikh Hamdan Bin Zayed Al Nahyan, contrived to secure business contracts from Egypt’s Ministry of Housing. These contracts were allocated for various projects crucial to the development of the new administrative city in eastern Cairo[424]. In a parallel example, Murban Company, a subsidiary of Alpha Dhabi Holding, launched a substantial land reclamation project covering an area of 756 km² in South Minya. The project aims of the projects include cultivating sugar beet and establishing a sugar beet factory[425]. Alpha Dhabi company is owned by International Holding Company, in which the majority stakeholder is UAE royal family member Sheikh Tahnoon bin Zayed Al Nahyan. Furthermore, the involvement of Saudi and Emirati business elites with close ties to the ruling elite is evident in their benefitting from these investment agreements. Amlak Finance, which is a subsidiary of Emaar Properties owned by Mohamed Alabbar, who has a close

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422 Intellinews, "Uae's Masdar and Egypt's Hassan Allam Utilities to Develop Green Hydrogen Production Plants in Suez Canal," https://advance.lexis.com/api/document?collection=news&id=urn:contentItem:65BB-Y2V1-JDP9-S449-00000-00&context=1516831.

423 MENA English, "Uae Support for Egypt Strong Bound to Continue," https://advance.lexis.com/api/document?collection=news&id=urn:contentItem:5H24-4K71-F04Y-T0N2-00000-00&context=1516831.

424 "Emirati Real Estate Companies Believe in Strength of Egypt Market," https://advance.lexis.com/api/document?collection=news&id=urn:contentItem:5TW3-VMY1-F04Y-T3KJ-00000-00&context=1516831.

425 Arab Finance, "Al Ahly Holding, Al Ghurair Group, Murban Sign $1bn Deal," https://advance.lexis.com/api/document?collection=news&id=urn:contentItem:5V0H-3DY1-F11P-X3JN-00000-00&context=1516831.

association with Sheikh Mohammed bin Rashid Al Maktoum, is involved in joint investments with local private business firms for real estate investments[426]. Additionally, the Bin Ladin family of Saudi Arabia has initiated construction projects through its subsidiary, the Saudi Construction Products Holding Company, marking a significant presence in the evolving investment landscape[427].

Third, on the Egyptian side, Egypt's state-owned business companies capitalized on the inflow of investments facilitated by the bilateral agreements, procuring the opportunity to establish joint business ventures in cooperation with Saudi and Emirati business actors. Interestingly, rather than pursuing ownership stakes in Egypt's state-owned enterprises, Saudi and Emirati entities have shown a preference for establishing joint investment companies with the specific aim of undertaking designated projects. Illustrating this trend is the joint investment venture overseeing the construction of a coal-fueled power plant in the Suez area. In this collaboration, 70% of the investment capital is contributed by UAE's Al Nowais Investments, with the remaining shares held by a state-owned company owned by Egypt[428]. Another prominent noteworthy example is the cooperation between UAE's MBF National Grouped and the National Bank of Egypt to raise $100 million USD in a jointly managed investment fund to finance various projects in Egypt in 2019[429].

In addition to state-owned enterprises, both Egypt's military institution and business elite have emerged as notable participants in the investment agreements, engaging in collaborative investment projects with Saudi and Emirati counterparts. One crucial example of this collaboration is the investment agreement between the UAE and Egypt to establish a joint company with the participation of the Emirati United Arab

[426] MENA English, "Emirati Real Estate Companies Believe in Strength of Egypt Market".

[427] Arabian Business, "Saudi S Cpc Inks $500m Deal to Build Five Egypt Sme Cities," https://advance.lexis.com/api/document?collection=news&id=urn:contentItem:5FMH-6M01-F11P-X52X-00000-00&context=1516831.

[428] Reuters, "Uae Firm Leads Bid to Build Egypt S First Coal-Fired Power Plant," https://advance.lexis.com/api/document?collection=news&id=urn:contentItem:5D94-VXN1-JDJN-654M-00000-00&context=1516831.

[429] Mubasher, "Uae's Mbf Inks $100m Partnership Deal with Nbe," https://advance.lexis.com/api/document?collection=news&id=urn:contentItem:5W0D-DJX1-F11P-X37M-00000-00&context=1516831.

Shipping Company and Egypt’s military-affiliated The Holding Company for Maritime & Land Transport. The joint company aimed to build a dock at Suez Gulf for handling container business. The disclosed investment for this project amounted to a substantial $760 million in 2014[430]. Likewise, the Egyptian military also agreed with UAE’s construction giant Arabtec to build residential units through the implementation of projects valued at $40 billion[431].

Alongside the military's collaboration with Saudi and Emirati capital, business elites closely affiliated with Egypt’s incumbent contrived to yield benefits from emerging contracts with Saudi and Emirati investors. Hasan Allam Utilities, which is owned by the business elite Hasan Allam, established joint ventures with its Saudi partners for real estate investment[432]. Similarly, Talaat Moustafa Holding, owned by the politically connected Talaat Moustafa family, entered into business contracts with companies owned by Prince Alwaleed Bin Talal to launch hotel investments at Egypt’s hot tourism spot in Sharm el-Sheikh region[433].

In sum, the investment agreements facilitated by Egypt with Saudi Arabia and the UAE from 2000 to 2022 provide valuable insights into the evolving role of state agencies in Egypt's investment landscape, particularly in response to major political events that took place after the Arab Uprising. Notably, data suggests that Saudi and Emirati political leaders evinced a stronger will to mobilize political resources after 2013, correlating with their explicit support for the Egyptian regime established after the overthrow of Muslim Brotherhood-affiliated President Mohamad Morsi. Saudi and Emirati leaders opted for activating government-owned sovereign wealth funds to discover investment opportunities in Egypt. Furthermore, they actively participated in these investment agreements as economic agents, negotiating on

[430] BBC, "Egypt-Uae to Establish Dock on Gulf of Suez," https://advance.lexis.com/api/document?collection=news&id=urn:contentItem:5BCV-D0N1-DYRV-32Y8-00000-00&context=1516831.

[431] Reuters, "Uae's Arabtec Agrees $40 Billion Housing Project with Egypt Army," https://www.reuters.com/article/us-arabtec-egypt-idUSBREA280KK20140309.

[432] Intellinews, "Uae's Masdar and Egypt's Hassan Allam Utilities to Develop Green Hydrogen Production Plants in Suez Canal".

[433] Yerepouni Daily News, "Billionaire Saudi Prince to Invest About $800 Million in Egypt".

behalf of subsidiaries owned by their respective companies. On the Egyptian side, state-owned enterprises, military-owned companies, and business elites had been the major beneficiaries of the inflow of investments facilitated by the Saudi and Emirati leaders' cooperation with the Egyptian authorities to moderate and, in certain cases, mediate the FDI in Egypt.

Table 3. Saudi and Emirati investment facilitated by bilateral investment agreements in Egypt

Year	Sides	Agreement Context	Involved Business Entities	Amount	Sector
2002	Egypt- UAE	Setting up a new company, Emarat-*Egypt*	Emarat (UAE), MIDTAP (Egypt)	100 million EGP	Energy
2007	Egypt - Saudi Arabia	Setting up a joint holding company for investment.		500 million EGP	
2008	Egypt- UAE	Dubai Ports World took over a controlling stake of the Ain Al-Sukhna Port Development Company (SPDC)	Dubai Ports World (UAE); Al-Sukhna Port Development Company	1.3 billion USD	Transport
2013	Egypt - Saudi Arabia	Deal to link electricity grids with Saudi Arabia		1.6 billion USD	Energy
2013	Egypt- UAE	Investment to support social fund for development of Egypt	Khalifa Fund for Enterprise Development (UAE); Social Fund for Development (Egypt)	200 million USD	Industry
2014	Egypt- UAE	The development and building of one million housing units	Arabtec (UAE); Egypt Defence Ministry	$40.23 billion	Construction
2014	Egypt- UAE	Establishing a coal fueled power plant in the Red Sea province	IPIC (UAE) ; Orascom (Egypt)		Energy
2014	Egypt- UAE	Building coal-fueled power plant in the Suez area	Al Nowaisl (UAE) ; EEHC (Egypt)		Energy
2014	Egypt- UAE	Establish a berth for container handling on the Suez Gulf	United Arab Shipping Company (UAE); The Holding Company for Maritime & Land Transport (Egypt)	760 million USD	Transport
2015	Egypt- UAE - Saudi Arabia	Implementing 10 development projects in Egypt, including two tourism projects in the Agiba plateau and Rommel area	GAFI (Egypt); Saudi and Emirati Companies		Tourism
2015	Egypt- UAE	Building wind-powered energy central	Masdar (UAE) ; Egyptian New and Renewable Energy Authority (Egypt)		Energy

Table 3. (continued)

2015	Egypt- UAE	Building projects in construction of new administrative capital	Emirati Capital Group Properties (UAE) ; Egypt's Ministry of Housing (Egypt)		Construction
2015	Egypt - Saudi Arabia	Building five industrial cities for small businesses in Egypt	Saudi Construction Products Holding Company (KSA); Ayadi Company (Egypt)	500 million USD	Construction
2016	Egypt - Saudi Arabia	Establishment of solar and wind plants in the West Nile area	ACWA (KSA) ; Egypts New and Renewable Energy Authority (NREA)	$10 billion	Energy
2016	Egypt - Saudi Arabia	Allocate 500,000 acres of arable lands for Saudi investors	Saudi Agriculture Ministry (KSA) ; Government of Egypt (Egypt)		Agriculture
2017	Egypt - Saudi Arabia	Expanding the Four Seasons resort in Sharm el-Sheikh	Prince Alwaleed Bin Talal (KSA) ; Talaat Mustafa Holding (Egypt)	800 million USD	Tourism
2018	Egypt- UAE	Building a silicon plant in Sinai region	MBF Group (UAE) ; General Authority for Investment (Egypt)		Industry
2018	Egypt- UAE	Cultivate 180,000 feddan in south Minya and establishing the beet sugar factory	Murban (UAE) ; National Bank of Egypt (Egypt)	1 billion USD	Industry
2018	Egypt- UAE	Real estate investment	Marseilia Almasreia Alkhalegeya Real Estate (Egypt) ; Amlak Finance (UAE)		Real Estate
2018	Egypt- UAE	Establish a tourism and hospitality project	Al Oroba Contracting (UAE) ; Matrouh Governor (Egypt)	1.2 billion EGP	Tourism
2019	Egypt- UAE	Establishing four new hypermarkets	Ministry of Supply and Internal Trade (Egypt) ; LuLu Hypermarket (UAE)		Retailer
2019	Egypt - Saudi Arabia	Agreement for financing a range of industrial development projects in Egypt	Egyptian Government (Egypt) ; Saudi Fund for Development (KSA)		Construction

Table 3. (continued)

2019	Egypt - Saudi Arabia	Technology transfer	Newton (KSA) ; The Ministry of Military Production (Egypt)		IT
2022	Egypt- UAE	Development of a green hydrogen production plants in the Suez Canal Economic Zone and on the Mediterranean coast	Masdar (UAE) ; Hassan Allam Utilities (Egypt)		Energy
2022	Egypt - Saudi Arabia	Build the Egypt Center for Petroleum and Petroleum Products Storage	Ajlan & Bros Holding Co (KSA) ; Arab Supply Chain Group (Egypt)	3.3 billion USD	Energy
2022	Egypt - Saudi Arabia	Building plant for renewable energy and water desalination	Ajlan & Bros Holding Co (KSA) ; Sami Saad Holding Group (Egypt)	1 billion USD	Energy
2022	Egypt - Saudi Arabia	Real estate development project	Ajlan & Bros Holding Co (KSA) ; Hassan Allam Holding (Egypt)	500 million USD	Real Estate
2022	Egypt- UAE	Securing land to build a 10-gigawatt (GW) capacity onshore wind farm in Egypt	Masdar (UAE) ; Hassan Allam Utilities (Egypt); Egypt's New and Renewable Energy Authority (Egypt)	10 billion USD	Energy
2022	Egypt - Saudi Arabia	Localization of technology for renewable energy and implementation of IT projects, digital solutions, data centers and cybersecurity	Alfanar Global (KSA) ; Arab Organization for Industrialization (Egypt)		IT

5.4. Discussion

The process tracing of Saudi Arabia and UAE's interactions with Egypt to moderate the FDI inflows after the political developments unfurled in 2013 reveals that Saudi and Emirati investors' motivation cannot be merely construed as a pursuit of economic prerogatives or rent-seeking[434]. The chapter accentuates that Saudi and Emirati investments in Egypt in the studied time period mirror an intriguing interplay of political and economic motivations of Saudi and Emirati leaders, necessitating the amalgamation of both geopolitics and geoeconomics-based explanations for accounting Saudi and Emirati influence in Egypt's investment landscape. From the geopolitical aspect, the chapter argues that Saudi Arabia and UAE evinced explicit political will to leverage FDI inflows into Egypt as a substitute financial flow for grants and loans, particularly after the military coup in 2013. One of the important political implications of the Saudi and Emirati FDI was supporting the stability of the political regime in Egypt after the coup, which falls in parallel with Saudi Arabia and the UAE's configuration of security in the Middle East. On the other hand, the chapter contends that this geopolitical implication of foreign investment does not necessarily overshadow the geoeconomics motives of FDI. The analysis in this chapter reveals that Saudi and Emirati investments in Egypt were not completely bereft of profit-seeking motivation. FDI is intrinsically a financial flow that is primarily driven by private business entities with economic objectives. When states aim to leverage FDI as a policy instrument to achieve specific political goals in the host country, the political authorities need to reconcile the political interests of the states with the economic interests of the private investors. This reconciliation process indispensably requires the mobilization of political resources for coopting private economic interests into the configuration of the FDI in the geopolitical framework. The integration of economic motives of private actors into the geopolitical considerations of FDI is evident in the case of Saudi and Emirati investments in Egypt. In post-coup Egypt, when utilizing FDI as a political instrument aligned with geopolitical objectives, Saudi Arabia and the UAE actively engaged in urging Egypt to address the economic concerns of private Saudi and Emirati investors in the

[434] Rijkers, Freund, and Nucifora, "All in the Family: State Capture in Tunisia."

country. Likewise, Saudi and Emirati states' encouragement of private businessmen to invest in specific sectors in the region can be situated in a broad regional investment strategy formulated by these countries to support their economic diversification objectives. The intertwined nature of the geopolitical and geoeconomics aspects of Saudi and Emirati investments complicates delineating purely economic motives from purely political ones. Nonetheless, the remainder of the section will integrate the geopolitical and geoeconomics motives of Saudi and Emirati FDI in Egypt, providing a framework for elucidating their political implications.

Saudi Arabia and the UAE's investment in Egypt extends beyond the timeframe associated with their significant financial support to the military regime and the subsequent Sisi government following the military coup of 2013. Rather, the diversification policies of Saudi Arabia and UAE were conducive to ushering in a new momentum for the FDI inflows into Egypt in the first decade of the 21st century[435]. During Mubarak's incumbency, the incoming investments were coherent with the prioritized business sectors in these countries' diversification strategies, reflecting the Saudi and Emirati businessmen to pursue business activities in which their home countries have comparative advantages[436]. Gulf Arab investors explored profitable investment projects, focusing predominantly on the construction, real estate, and agriculture sectors. The accumulation of Saudi and Emirati investments in these sectors may suggest that the initial investments from these countries in Egypt may reflect the priorities and targets of the economic diversification policies embarked on in these nations. Real estate and hospitality have been considered as economic sectors in which Saudi and Emirati investors may possess a comparative advantage. Moreover, the priority attached to the agricultural sector was driven by the challenges posed by cultivating lands in Saudi Arabia, which exacerbated the depletion of water resources and the rising perception of food insecurity in these countries[437].

[435] Hvidt, "Economic Diversification in the Gulf Arab States: Lip Service or Actual Implementation of a New Development Model?."

[436] Lawson, "The Persian Gulf in the Contemporary International Economy."

[437] Hanieh, *Money, Markets, and Monarchies*.

The evolution of investment ties between Saudi Arabia, the UAE, and Egypt before the Arab Uprisings reveals a distinctive pattern, characterized by limited state-level engagement in shaping the investment landscape. Even though private companies linked to these countries' ruling elite and prominent business families surveyed lucrative business contracts, Saudi Arabia and UAE rarely evinced considerable political will for either playing a moderator role between private investors and their local private and public counterparts or involving as a major investor through authorization of companies tied to sovereign wealth funds. The reluctance of Saudi and Emirati leaders to actively deploy political resources to influence investments in Egypt is evident in state-sponsored bilateral investment agreements. As illustrated in Table 3, only a minuscule fraction of these agreements was concluded prior to 2013. However, the historical process leading to the military coup marked a crucial juncture for Saudi Arabia's and the UAE's geopolitical policies in the region, impacting investment flows from these countries into Egypt. In the post-coup political context, Saudi and Emirati leaders envisioned FDI inflows into Egypt as an effective and enduring means of endorsing regime stability, coupled with grants and loans disbursed for cushioning the adverse effects of short-term exogenous shocks. Acknowledging private business interests propelled by profit-seeking motives is a crucial aspect of foreign investment. Saudi Arabia and UAE also employed political resources to incorporate private economic interests into the geopolitical agenda attributed to the FDI inflows into Egypt. In navigating FDI into Egypt, Saudi Arabia and the UAE employed three major strategies, leveraging their political resources to integrate Saudi and Emirati private interests into their investment policy in Egypt.

First, Saudi Arabia and the UAE engaged in official discussions with their Egyptian counterparts, actively contributing to the development of a new legal framework aimed at facilitating investments[438]. This political commitment resulted in the implementation of a new investment law designed to address the grievances of private investors from Saudi Arabia and the UAE, offering extended guarantees against political persecutions and a more comprehensive structure for incentives and tax exemptions for the inflow of foreign investment[439].

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438 MENA English, "Egypt Working on New Law to Attract More Fdi".

439 Ghoneim, "The Egypt Economic Development Conference: Success or Failure?".

Second, both Saudi Arabia and the UAE deployed political and economic resources to spur Egypt to reach an agreement with the IMF for procuring a loan package with a long-term maturity in 2016. From the perspective of Saudi Arabia and the UAE, the realization of an agreement with the IMF would increase foreign investors' confidence in Egypt's investment landscape. Most importantly, the implementation of the economic reforms attached to the IMF agreement would address the economic grievances of Saudi and Emirati private investors in Egypt, such as the negative macroeconomic outlook and overvalued Egyptian Pound. In order to facilitate the negotiations, Saudi Arabia and UAE urged the Egyptian government to undertake the necessary economic reforms that are prerequisites for finalizing the IMF deal. UAE even tasked private consultants to assist Egyptian authorities in studying the feasibility of the economic reforms[440]. Furthermore, the UAE opted to participate in the agreement by assuming the guarantor role of the deal between the IMF and Egypt[441]. These focused political efforts of Saudi and Emirati leaders to reshape the investment landscape and economic outlook of Egypt in the aftermath of the 2013 coup contributed to the improvement of macroeconomic indicators, particularly noticeable following Egypt's IMF agreement in 2016. As illustrated in Figure 13, a boost in international reserves was instrumental in addressing issues stemming from the foreign exchange bottleneck, and the improving fiscal conditions helped the Egyptian government to fortify its budgetary stance.

Third, apart from spurring the private investors to expedite investment in Egypt, Saudi Arabia and the UAE directly contributed to the FDI inflows, burdening the investor role by authorizing the state's economic institutions. Notable, business ventures owned by sovereign wealth funds of these nations had incrementally played a prominent role in investing in business projects and domestic enterprises in Egypt. Saudi Public Investment Fund and UAE's ADQ and Mubadala funds pioneered in representing the most direct state-level contribution to Egypt's FDI, resorting to the establishment of joint ventures in partnership with Egyptian business agents and bidding for ownership of the publicly listed local companies. Furthermore, as can be

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[440] Ziadah, "The Importance of the Saudi-Uae Alliance: Notes on Military Intervention, Aid and Investment."

[441] Kassab and Dawoud, "The Enemy You Know: Why Egypt Is Turning to Qatar to Weather Crisis".

seen in Table 3, Saudi and Emirati sovereign wealth funds had been one of the major parties of state-sponsored investment agreements[442], representing tangible strategic financial support to Egypt from these countries[443].

The analysis in this chapter indicates that the military coup of 2013 was a critical event that led to a prominent change in Saudi and Emirati investment trends in Egypt, engendering a geopolitical layer over the economic motivations attached to the FDI. After the military coup, Saudi Arabia and the UAE intensively deployed their political resources to provide strategic functionality to private and public FDI inflows to Egypt originating from these countries. In this regard, FDI inflows have been envisioned as a substantial substitute for grants and loans, which were utilized as financial flows to support incumbents in Egypt as an inextricable segment of the regional security notion of these countries. But the question is by which mechanisms Saudi and Emirati FDI inflows could be conducive for Egyptian incumbents to stay in power? The hypotheses stated in this chapter examine the validity of two distinct mechanisms. The first mechanism accentuates budget endorsing effects of FDI in which foreign investment may provide direct financial resources to the incumbents, contributing to the aggregation of resources to be invested in the leaders' survival[444]. In addition, the second mechanism underscores the "cooptation enabling dynamic" of FDI[445], examining the role of foreign investment in political leaders' cooptation strategies deployed to prevent defections from their winning coalition[446], increasing the odds of political survival against the emerging challengers.

The evidence presented in this chapter supports the notion that Saudi and Emirati FDI may have played a role in sustaining regime stability in Egypt by facilitating a budget-endorsing effect, garnering support for Hypothesis 1. This effect can

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442 Financial Services Monitor, "Egypt, Saudi Public Investment Fund Sign Investment Agreement".

443 Financial Services Monitor Worldwide, "Egypt to Take Quick Measures to Attract $10b Saudi Investments".

444 Bak and Moon, "Foreign Direct Investment and Authoritarian Stability."; Escribà□Folch, "Foreign Direct Investment and the Risk of Regime Transition in Autocracies."

445 Rommel, "Foreign Direct Investment and the Politics of Autocratic Survival."

446 De Mesquita et al., *The Logic of Political Survival*.

particularly be observed after the military coup of 2013, suggesting the evolving regional security perspective of Saudi Arabia and the UAE after the Arab Uprisings had a major effect on the changing trends in Saudi Arabia and the UAE's mobilization of political resources to leverage FDI inflows into Egypt. The investment relations after the military coup unveiled that the Egypt's state-owned enterprises have been one of the important beneficiaries of the Saudi and Emirati FDI.

Nevertheless, targeting to acquire stakes in state-owned enterprises was not a commonly preferred investment strategy employed by Saudi and Emirati investors. Instead of focusing on portfolio investments, state-owned enterprises utilized Saudi and Emirati FDI by being involved in joint investment schemes in the scope of specific business projects. The qualitative nature of this chapter has been useful in comprehending why Saudi and Emirati investors preferred to establish joint ventures with state-owned enterprises rather than striving to acquire controlling stakes from these companies. This point is important because, as indicated in the second chapter of this thesis study, the quantitative analysis of the Saudi and Emirati investments in companies listed on the Egyptian stock exchange unveils FDI inflows from these countries are less likely to target state-owned enterprises. On the other hand, the qualitative research accentuates that focusing merely on the companies listed in the stock exchange would be incomplete due to its nuanced focus on the portfolio investments, excluding the other forms of investments such as embarking on joint projects or establishing new business entities with partnerships of state-owned business enterprises. The analysis in this chapter provides three explanations for why Egypt's state-owned enterprises were not the target of the Saudis and Emiratis. Instead, they were most likely to become major stakeholders of the joint investment companies established in partnership with Saudi Arabia and UAE-originated corporations.

First, as touched upon in Chapter 4, the existence of organized labor, coupled with the potential for labor movements, can deter foreign investors when deciding on the location of their investments[447]. Indeed, after the removal of Mubarak from power,

[447] Blanton and Blanton, "What Attracts Foreign Investors? An Examination of Human Rights and Foreign Direct Investment."

the Supreme Council of Armed Forces (SCAF) prohibited labor movements and strikes that may disrupt business activities. Law 34/2011 illegalized any action that may cause a halt or delay at work in any business sector[448]. In one major event, the Egyptian military resorted to brute force to disperse a labor movement that broke out at the military-owned cement factory[449]. Sisi government also took precautions against the labor movement by resorting to the coercive and legal apparatus of the state. One of the legal arrangements has been forcing laborers into retirement if their participation in strikes is proven. In 2015, the High Cairo Court upheld the state's ruling and vindicated the state's actions to prevent strikes 'in the interest of the public.' Both the military-supported interim regime and the Sisi government opted for oppressive tactics to curb the labor movement to present Egypt as a tranquil hub for foreign investment where investors would not fear political risks stemming from the laborers' discontent. Nevertheless, despite all these stringent precautions, it is reported at least 1600 labor demonstrations in 2014[450]. Considering this unamicable relationship between the Egyptian state and labor, Egypt's state-owned enterprises may not be the best destination for foreign investment due to the relatively stronger prowess of labor in these enterprises. Even after these companies underwent privatization and public offering, labor councils retained substantial ownership stakes and, in some cases, achieved to be represented at the level of board of directors.

Second, Egyptian incumbents could not galvanize broad popular consent to relinquish state assets to foreign entities. One important contemporary example of public discontent over the renunciation of the state assets can be seen in el-Sisi's decision to cede sovereignty of two unhabituated islands of Tiran and Sanafir to Saudi Arabia in 2017. The decision led to the eruption of a considerable public backlash, demanding not to give up on Egypt's sovereignty over the islands[451]. At

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[448] Angela Joya, "Neoliberalism, the State and Economic Policy Outcomes in the Post-Arab Uprisings: The Case of Egypt," *Mediterranean Politics* 22, no. 3 (2017).

[449] Rana Muhammad Taha, "Workers' Strike Violently Dissolved," *Daily News Egypt*, https://www.dailynewsegypt.com/2013/02/17/workers-strike-violently-dissolved/.

[450] Youssef, "Workers in Al-Sisi's Egypt's: Muted by Promises of 'Development'".

[451] Khalil Al-Anani, "Geopolitics of Small Islands: The Stalemate of Tiran and Sanafir's Transfer Impacts Egypt-Saudi Relations," https://arabcenterdc.org/resource/geopolitics-of-small-islands-the-stalemate-of-tiran-and-sanafirs-transfer-impacts-egypt-saudi-relations/.

the time of the writing of this thesis, the transaction of the islands to Saudi Arabia is still not realized, reportedly since Egypt is dragging its feet over the transfer of the island to Saudi Arabia, pointing to its reservations in the transaction agreement as a pretext for the stall[452]. Likewise, Egyptian leaders could not garner broad public approval for relinquishing stakes in state-owned enterprises to foreign investors, accentuating the lack of political consensus over the sales in the public realm[453]. Even though the privatization of state-owned enterprises was not an unheard phenomenon in Egypt, these companies had been symbols of national pride, and allowing foreign entities to take over controlling stakes in these companies evoked the tragedy of selling family jewels in times of economic hardships[454].

Third, even though the Egyptian government gave the green light, the acquisition of the shares from state-owned enterprises proved challenging for foreign investors. One of the major challenges for foreign investors has been negotiating over the valuation of the shares in acquisition which become a locus of contention between foreign parties and public stakeholders of the firm. Particularly, the substantial devaluation of the Egyptian in 2016 and 2022 led to disagreement over calculating the market value of the shares on sale in terms of Egyptian Pounds or US Dollars, further exacerbating the prospects of reaching a consensus over the valuation of the firms seamlessly[455]. To illustrate, Saudi Arabia’s Public Investment Fund’s talks with Egyptian authorities to acquire majority stakes of United Bank stalled over the Egyptian shareholders’ complaints over the undervaluation of company[456]. In addition to concerns over the valuation of the companies on sale, some sources reported that the negotiations with foreign investors for the sale of privatized

[452] Ibid.

[453] Middle East Eye, "Egypt: Sale of State Assets to Saudi and Uae Wealth Funds Divides Opinion," https://www.middleeasteye.net/news/egypt-saudi-uae-sale-state-assets-wealth-funds-divides-opinion.

[454] Robert Springborg, "Investing in Egypt’s Future, or Selling Family Jewels? - Assessing Egypt’s State Ownership Policy: Challenges and Requirements," *Carnegie Middle East Center*, https://carnegie-mec.org/2023/05/08/investing-in-egypt-s-future-or-selling-family-jewels-pub-89638.

[455] Saleh, "Egypt Announces $1.9bn Sale of State Assets".

[456] Patrick Werr and Hadeel Sayegh, "Saudi Arabia Pauses Wealth Fund Plan to Acquire Egyptian Bank - Sources," https://www.reuters.com/markets/deals/saudi-arabia-pauses-wealth-fund-plan-acquire-egyptian-bank-sources-2023-02-22/.

companies had been stalled due to rising security concerns over ceding the strategic assets to foreign entities[457].

In addition to the budget-endorsing effect of FDI, this chapter found that FDI may also support the regime survival in the host country through enabling cooptation dynamics, functioning as a commitment device between incumbents and the political elite. Put differently, FDI inflows may have been instrumentalized in order to keep the political elite loyal to the political leader by increasing the economic cost of defection[458]. These findings shed support for *Hypothesis 2* stated in the chapter. In the context of Saudi and Emirati investment in Egypt, this chapter accentuates that politically connected business elites had been the prominent partners of Saudi and Emirati businessmen. This partnership can be observed in joint participation in Egypt's signature projects, such as the construction of the New Administrative City and the Suez Canal Development Project, which are particularly advertised by Egyptian authorities to attract Gulf Arab investment. Nonetheless, the chapter unfurls that by far the most important benefactor of Saudi and Emirati investment had been the Egyptian military, which is an indispensable member of Egypt's winning coalition. As can be seen in Table 3, the military institutions, along with politically connected business elites, have been prominent parties to state-sponsored investment agreements concluded with Saudi Arabia UAE.

In sum, the main findings of this chapter support the conclusion of studies that suggest a link between FDI and regime survival in the host country[459]. Both budget-endorsing effect and coopting enabling dynamics can be posited as possible mechanisms by which FDI inflows may contribute to the survival of the political leaders. Nevertheless, this study contributes to this literature by offering the political motives of the home countries as a significant intervening variable in the link between FDI and regime survival in the host countries. The chapter argues that FDI's

[457] Al-Sadat et al., "Govt Halts Sale of Telecom Egypt Shares to Uae Amid Concerns over Ceding of Strategic Assets, Expectations of Further Pound Devaluation".

[458] Bak and Moon, "Foreign Direct Investment and Authoritarian Stability."

[459] Ibid.; Escribà□Folch, "Foreign Direct Investment and the Risk of Regime Transition in Autocracies."; Rommel, "Foreign Direct Investment and the Politics of Autocratic Survival."; "Foreign Direct Investment and Political Preferences in Non-Democratic Regimes."

positive effect on the regime's survival hinges on to what extent origin countries evinced a willingness to mobilize the political resources to employ direct investments as a geopolitical tool. Put differently, the regime-endorsing effect of the FDI may be inextricably related to the political motivations of the countries where FDI originates from. The case of Saudi and Emirati investment in Egypt reveals that FDI functioned as a strategic financial resource along with foreign aid and loans. However, the weaponization of the FDI was only explicit after Saudi Arabia and UAE considered the political survival of the Egyptian incumbent following the military coup of 2013 as a significant objective in these countries' emerging regional security notions and mobilized political resources to imbue FDI inflows with a political functionality.

The insights derived from the findings of this chapter respond to the alternative hypothesis, which posits that foreign investors may opt for politically connected firms in expectation of free-riding on economic privileges already provided to these companies by the political authorities[460]. This alternative explanation could be particularly relevant in polities characterized by limited access orders. In this political order, where governments provide specific economic agents with rent-creating market privileges—such as exclusive access to premium state contracts, streamlined procurement processes, exclusive business permits, import-export certificates, and monopoly rights—these incentives can prove enticing for foreign investors[461]. This chapter addresses this alternative explanation by indicating that while the motivations of Saudi and Emirati private business actors to invest in Egypt could be imbued with profit-seeking, the will of Saudi and Emirati political leaders to politicize investment had been the decisive factor in changing the nature of investment relations with Egypt. Saudi Arabia and UAE evinced unprecedented mobilization of political resources to capitalize on investment flows to attain their particular geopolitical objectives in post-coup Egypt. Supporting the regime stability in Egypt had been the main propellant force in politicizing the FDI inflows. In doing

[460] Özcan and Gündüz, "Political Connectedness and Business Performance: Evidence from Turkish Industry Rankings."

[461] Douglass C North, *Limited Access Orders in the Developing World: A New Approach to the Problems of Development*, vol. 4359 (World Bank Publications, 2007).

so, Saudi Arabia and the UAE played a multi-layered role in molding direct investments as a political tool. In addition to resorting to bilateral diplomatic channels for guiding the Saudi and Emirati private business actors in Egypt's investment environment, they played a mediator role in expediting investment contracts with Egyptian counterparts. Furthermore, Saudi and Emirati leaders played a leading role by directly authorizing state-owned enterprises to explore investment projects.

5.5. Conclusion

Does FDI contribute to the political survival of the incumbent in the host country, and if so, which conditions and causal processes are pertinent to engendering this effect? This chapter responds to this question by tracing the Saudi and Emirati investments from 2000 to 2022, focusing on identifying major trends and processes that lead to alternation of these trends at critical historical junctures. Additionally, the research investigates Saudi and Emirati investments facilitated through bilateral investment agreements in Egypt. The aim is to ascertain the extent of political involvement by states in regulating FDI inflows and to identify specific periods during which this moderation occurred.

The main findings of the chapter indicate that Saudi and Emirati FDI inflows may have contributed to the political survival of the incumbents in Egypt. The evidence presented lends support to both budget-endorsing and cooptation-enabling mechanisms, illustrating how FDI inflows may enhance the prospects of host incumbents to maintain political power. This conclusion affirms the prevailing studies that expounded a positive relationship between FDI and political survival in the host countries[462]. Nevertheless, the study makes a meaningful contribution to these studies by highlighting that the home countries' decision to deploy political resources in moderating the FDI inflows is a significant intervening variable. Put differently, home countries' political will to leverage FDI inflows as a political

[462] Bak and Moon, "Foreign Direct Investment and Authoritarian Stability."; Escribà□Folch, "Foreign Direct Investment and the Risk of Regime Transition in Autocracies."; Rommel, "Foreign Direct Investment and the Politics of Autocratic Survival."; "Foreign Direct Investment and Political Preferences in Non-Democratic Regimes."

instrument for achieving particular political objectives could be a major intervening factor in the relationship between FDI inflows and regime survival in the host countries. The chapter demonstrates that Saudi and Emirati FDI inflows' contribution to the Egyptian leaders' political survival is more evident after the military coup of 2013. After this critical historical juncture, Saudi and Emirati leaders explicitly acknowledged the endorsement of post-coup incumbents in Egypt as a crucial geopolitical objective.

In sum, the case of Saudi and Emirati investments in Egypt indicates that FDI inflows can be imbued with geopolitical implications, garnering support to a certain extent for the Realist perspective in international political economy[463]. Nevertheless, the study also propounds that political instrumentalization of the FDI inflows does not utterly rule out the economic motives pertinent to the determinants of FDI inflows in the host countries. On the contrary, the examined case in this chapter demonstrates that the economic interests of the Saudi and Emirati foreign investors persisted, but these profit-seeking motives of the private economic agents were addressed and guided in the process of mobilization of political resources for subsuming FDI inflows into a geopolitical agenda. Put differently, the chapter underlines Saudi Arabia and UAE acknowledged the FDI as an intrinsically private flow and took the economic motivations of the Saudi and Emirati private investors into account when molding the FDI inflows in Egypt as a policy instrument for financially supporting the odds of survival of the Egyptian incumbents in Egypt's post-coup political landscape. In light of this finding, the chapter underlines the intertwined nature of the geopolitical and geoeconomics implications of the FDI inflows[464] and suggests more research should be conducted to examine this complicated relationship.

[463] Gilpin, *The Political Economy of International Relations*.

[464] Babić, "State Capital in a Geoeconomic World: Mapping State-Led Foreign Investment in the Global Political Economy."

CHAPTER 6

CONCLUSION

With the collapse of the Soviet Union marking the conclusion of the Cold War, some scholars foresaw the removal of a barrier to democratization. They anticipated that this development would set the stage for a fresh wave of democracy worldwide[465]. However, even though democratic regimes prevailed over authoritarian systems in some countries, the expansion of democracy did not follow a linear trajectory. In some countries, democratic transition attempts abruptly ended, culminating in a backslide to authoritarianism, and in some countries, authoritarian regimes proved extremely robust so that no transition attempts enlivened at all[466]. The emergence of democracy was a vastly complex phenomenon and contingent upon numerous factors. Neither modernization theories' emphasis on the improvement of the economic conditions[467], nor the institutionalist[468] and culturalist[469] perspective achieved to present a generalizable and comprehensive accounts for democratization. Pertinent to the discussion on democratization, some scholars suggested that academic studies should give more prominence to factors contributing to authoritarian resilience rather than merely focusing on the underlying factors

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465 Samuel P Huntington, "Democracy's Third Wave," *J. Democracy* 2 (1991).

466 Milan W Svolik, *The Politics of Authoritarian Rule* (Cambridge University Press, 2012).

467 Carles Boix and Susan C Stokes, "Endogenous Democratization," *World politics* 55, no. 4 (2003); Seymour Martin Lipset, "Some Social Requisites of Democracy: Economic Development and Political Legitimacy1," *American political science review* 53, no. 1 (1959); Adam Przeworski and Fernando Limongi, "Modernization: Theories and Facts," *World politics* 49, no. 2 (1997).

468 Daron Acemoglu and James A Robinson, *Economic Origins of Dictatorship and Democracy* (Cambridge University Press, 2006); Arend Lijphart, *Democracy in Plural Societies: A Comparative Exploration* (Yale University Press, 1977); Guillermo O'donnell, Philippe C Schmitter, and Laurence Whitehead, *Transitions from Authoritarian Rule: Tentative Conclusions About Uncertain Democracies* (JHU Press, 2013).

469 Gabriel A Almond and Sidney Verba, *An Approach to Political Culture* (Princeton University Press, 1963); M Steven Fish, "Islam and Authoritarianism," *World politics* 55, no. 1 (2002); Huntington, "Democracy's Third Wave."

fostering the democratic transition and consolidation. The main tenet of this perspective is that the democratic transition could be predicated on the subduing of the authoritarian regime, and perpetuating factors of the authoritarian resilience could be substantially different from the forces that reinforce the democracy[470]. Thus, scrutinizing the roots of authoritarian survival reassured itself as a substantial academic endeavor.

This research aims to contribute one more piece to the academic literature examining the underlying factors of authoritarian resilience by inspecting the impact of the Foreign Direct Investment (FDI) flows on the survival of authoritarian incumbents. In the last decades, FDI proved to be a significant source of international economic transaction that garnered substantial academic scrutiny for investigating its underlying economic determinants and reverberations[471], as well as its significance for the international political economy (IPE) dimension[472]. This study investigates the role of this relatively new financial phenomenon within the IPE framework, shedding light on a significant topic in political research—the factors influencing the endurance of authoritarian regimes. Aligning with this research objective, the study transpires the FDI's contribution to the domestic processes that enable authoritarian leaders to cling to power, as well as highlights the significant influence of international factors on the politics surrounding FDI in authoritarian regimes. It is noteworthy that FDI is not the only financial resource in IPE that entails significant political implications. The venerable studies indicate that trade relations, international industrial policies, economic sanctions, foreign aid, and the flow of financial loans have been instrumentalized as prominent tools of “economic statecraft” that are leveraged by the states to attain political objectives in the international arena[473]. Notably, the role of foreign aid in authoritarian politics has

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[470] Bellin, "Reconsidering the Robustness of Authoritarianism in the Middle East: Lessons from the Arab Spring."

[471] Phung, "Determinants of Fdi into Developing Countries."

[472] Pandya, "Political Economy of Foreign Direct Investment: Globalized Production in the Twenty-First Century."; Oatley, *International Political Economy*.; Azzimonti, "The Politics of Fdi Expropriation."

[473] Vinod K Aggarwal and Andrew W Reddie, "Economic Statecraft in the 21st Century: Implications for the Future of the Global Trade Regime," *World Trade Review* 20, no. 2 (2021).

mustered considerable academic interest[474]. The link between authoritarian resilience and FDI, on the other hand, is still an understudied subject, and this research endeavors to present a meaningful contribution to comprehending the role of FDI in the politics of survival in authoritarian regimes.

Specifically, the research elucidates to what extent and under which conditions FDI may function as a substantial financial resource that would be leveraged by authoritarian incumbents in host nations to remain in power. The study particularly investigates the causal processes pertinent to FDI's contribution to authoritarian resilience and emphasizes antecedent conditions and underlying international forces that may formidably intervene in the mechanisms that govern the influence of foreign investment on authoritarian survival in host nations. From the standpoint of this thesis study, understanding the role of international forces in mediating the link between FDI and authoritarian regimes is crucial. FDI may not be merely construed as a windfall income that is domestically extracted and harnessed by authoritarian leaders to consolidate their rule. It is an international financial flow that agglomerates both state actors that deem FDI as an inextricable segment of the economic statecraft[475], as well as private economic actors whose economic motivations are sometimes at odds with the political interests of the state actors[476]. This multifaceted and controversial nature of FDI necessitates a comprehensive framework, accounting for the political motives of the origin countries and the economic motives of the private investors for unfurling its influence on the politics of survival in authoritarian regimes.

The central argument of this thesis aligns with previous studies that emphasize the critical role of finance as a significant factor in the persistence of autocratic

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[474] Bader and Faust, "Foreign Aid, Democratization, and Autocratic Survival."; Ahmed, "The Perils of Unearned Foreign Income: Aid, Remittances, and Government Survival."; Kono and Montinola, "Does Foreign Aid Support Autocrats, Democrats, or Both?."

[475] Aggarwal and Reddie, "Economic Statecraft in the 21st Century: Implications for the Future of the Global Trade Regime."

[476] Devesh Kapur and Manik Suri, "Geoeconomics Versus Geopolitics: Implications for Asia," *The Oxford Handbook of the Economics of the Pacific Rim* (2014).

regimes[477]. The research contends that FDI inflows may bolster authoritarian regimes in two substantial means. First, FDI inflows may have a budget-endorsing effect in host nations, empowering authoritarian incumbents to accumulate financial resources at their disposal. The authoritarian regimes, in turn, may capitalize on the procured resources for investing in the mechanisms that reinforce their prospects to stay in power. Notable studies point out that strengthening the repressive apparatus of the state[478] and placating the political elites in leader's constituency proved effective strategies that autocrat employs in countries where authoritarian regimes vehemently prevail[479]. The study highlights that one of the antecedent factors driving the budget-endorsing effect is FDI inflows into the local firms that are already owned or substantially invested by the host governments. Put differently, foreign investment into domestic business ventures having ownership ties with the host governments may constitute an expedient channel for the political incumbents to benefit financially from the FDI inflows directly.

Second, the study posits that FDI could be conducive to autocrats' survival through activating cooptation-enabling dynamics[480]. This theoretical premise is built on the notion that even political leaders in autocratic regimes do not govern in isolation[481]. Rather, leaders should ensure the loyalty of the political elites that play a critical role in the leaders' constituency. The autocratic leaders generally rely on a smaller constituency than the leaders in democratic regimes, albeit those relatively small number of key elites wield substantial influence on the survival of the regime[482].

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477 Bak and Moon, "Foreign Direct Investment and Authoritarian Stability."; De Mesquita et al., *The Logic of Political Survival*; Escribà□Folch, "Foreign Direct Investment and the Risk of Regime Transition in Autocracies."; Svolik, *The Politics of Authoritarian Rule*.

478 Bellin, "The Robustness of Authoritarianism in the Middle East: Exceptionalism in Comparative Perspective."

479 Adly, "Politically-Embedded Cronyism: The Case of Post-Liberalization Egypt."; De Mesquita and Smith, "Leader Survival, Revolutions, and the Nature of Government Finance."; Gerschewski, "The Three Pillars of Stability: Legitimation, Repression, and Co-Optation in Autocratic Regimes."; Svolik, "Power Sharing and Leadership Dynamics in Authoritarian Regimes."

480 Rommel, "Foreign Direct Investment and the Politics of Autocratic Survival."

481 De Mesquita et al., *The Logic of Political Survival*.

482 De Mesquita and Siverson, "War and the Survival of Political Leaders: A Comparative Study of Regime Types and Political Accountability."; De Mesquita et al., *The Logic of Political Survival*.

From the perspective of the autocrats, leveraging financial resources wisely is of paramount importance for their political survival. Prudent authoritarian leaders do not neglect to facilitate the allocation of a sufficient amount of financial goods to the political elite to prevent their defection to the political regime in favor of another political challenger. Therefore, authoritarian leaders carefully distribute private goods to their winning coalition, gradually building up a patronage network that seals the interest of the political elite and incumbents in the authoritarian polities[483]. This research argues that FDI may function as a financial resource that bolsters this patronage network in the host nations.

Additionally, one peculiarity of the FDI is that political elites can be direct beneficiaries of foreign investments regardless of the immediacy of the political incumbents. The political elite may capitalize on the foreign investment inflows by allocating the FDI into local firms already owned or partnered by the political elite. The role of political leaders in this transaction is not allocating funds in a direct manner; rather, leaders may adopt certain policies to facilitate their political constituency to utilize the investment flows. In this context, FDI can still endorse political elites' commitment to the political regime by functioning as an indirect form of private good provision. From the standpoint of the political elite, since the inflows of the investments were predicated on the established political connections with the regime, the defection to the incumbent would entail a risk of losing access to FDI inflows in the aftermath of an ambiguous succession process[484]. Therefore, one of the means of FDI's contribution to authoritarian survival would be activating this cooptation-enabling mechanism and one of the major precursors for prompting the cooptation-enabling dynamics in FDI inflows into the local firms owned or partnered by the politically connected individuals[485].

Consequently, budget-endorsing and cooptation-enabling dynamics can provide insight into how FDI may contribute to authoritarian resilience in host nations.

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[483] Escribà□Folch, "Foreign Direct Investment and the Risk of Regime Transition in Autocracies."

[484] Bak and Moon, "Foreign Direct Investment and Authoritarian Stability."

[485] Rommel, "Foreign Direct Investment and the Politics of Autocratic Survival."

Nevertheless, the study expounds that the provided framework is not sufficient to locate the interaction of the international forces with the processes engendering the politics of FDI in authoritarian countries. The study suggests that the political motivations of home nations to instrumentalize the FDI flows to endorse the political survival of authoritarian incumbents in host nations could be a substantial intervening factor, pronouncing both budget-endorsing and cooperation-enabling effects of the FDI on authoritarian resilience. In this perspective, the home states could be capable actors in yielding bilateral investment relations for achieving particular foreign policy objectives. In other words, states are able to deploy political and economic resources into a political framework aimed at instrumentalizing FDI flows to endorse authoritarian regimes in host nations. One of the tangible means of mobilizing economic resources can be illustrated with the authorization of state-owned enterprises[486] and sovereign wealth funds[487] in the home country. Some political rulers of the home nations may wield substantial influence on the economic management of these business entities, providing them a strategic edge in leveraging the economic prowess of these ventures to attain their political goals[488]. In this sense, these diverted investments through state-owned enterprises and sovereign wealth funds may bolster the processes reinforcing the authoritarian resilience in host nations.

Apart from the mobilization of the state's economic resources, states may deploy their political resources to instrumentalize the FDI as a political tool in the host nations. One of the crucial reflections of this policy is to coopt economically motivated private investors to entice them to embark on or sustain their investments in the host nation. In this context, states may integrate the economic motives of these private firms into a political framework induced by home country leaders' motivations to endorse political incumbents in the host nations. Thereby, home states may devise policies aimed at presenting incentives[489], as well as alleviating

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[486] Gertz and Evers, "Geoeconomic Competition: Will State Capitalism Win?."

[487] Cohen, "Sovereign Wealth Funds and National Security: The Great Tradeoff."

[488] Braunstein, "Domestic Sources of Twenty-First-Century Geopolitics: Domestic Politics and Sovereign Wealth Funds in Gcc Economies."

[489] Weiner, "International Expansion of Russian Multinationals: A Focus on Home-Country Push Factors, Europe and Five Cee Countries."; Ricz, "Brazilian Companies Going Global: Home Country

economic and political grievances of the private investors to integrate them into the foreign policy framework that politicizes the FDI inflows to the host nations[490].

The thesis employs Saudi Arabia and UAE-originated foreign investment into Egypt as a case study in order to investigate the formulated arguments. The purpose behind the selection of Saudi Arabia and UAE as examined origin countries, as well as Egypt as the target country can be elucidated in twofold. First, Egypt is one of the significant countries in the MENA region because of its geopolitical and economic prominence, as well as its cultural primacy in the Arab world. However, one particular characteristic pertinent to this study is that authoritarianism in Egypt proved notoriously resilient, albeit the country experienced brief democratization attempts[491].

Second, the study examines Saudi Arabia and UAE as origin countries not only due to their political significance among the oil-abundant GCC countries but also due to their relevancy in the international political economy. These countries evinced growing interest in employing tools of economic statecraft[492], and one of the blatant indicators of the instrumentalization of these economic tools is the devotion of these nations to burgeoning state-led foreign investments allocated through their state-owned enterprises and subsidiaries of sovereign wealth funds[493]. A key characteristic of state-directed investments by these nations, as indicated in a comprehensive study conducted by Babic et al., is their strategic approach to secure majority ownership in foreign enterprises they invest in, suggesting a blend of geoeconomic and

Push Factors of Brazilian Multinational Enterprises '(Bmnes ') Investments, General Characteristics and Tendencies of Their Investments in the European, Especially East Central European (Ece) Region."

[490] Li, Wen, and Jia, "How Political Risk in Host Country Affects Fdi: An Explanation for the Paradox of China's Investment Risk Preference."; Luo, Qiu-Zhi, and Han, "How Emerging Market Governments Promote Outward Fdi: Experience from China."; Weiner, "International Expansion of Russian Multinationals: A Focus on Home-Country Push Factors, Europe and Five Cee Countries."
[491] Farouk, "More Than Money: Post-Mubarak Egypt, Saudi Arabia, and the Gulf."

[492] Braunstein, "Domestic Sources of Twenty-First-Century Geopolitics: Domestic Politics and Sovereign Wealth Funds in Gcc Economies."; Cohen, "Sovereign Wealth Funds and National Security: The Great Tradeoff."; Roll, "A Sovereign Wealth Fund for the Prince: Economic Reforms and Power Consolidation in Saudi Arabia."; Young, *The Economic Statecraft of the Gulf Arab States*.

[493] Babić, "State Capital in a Geoeconomic World: Mapping State-Led Foreign Investment in the Global Political Economy."

geopolitical intentions in their overseas investments[494]. Furthermore, the Saudi and Emirati rulers hold exclusive autonomy in the management of these state-affiliated business ventures, offering Saudi and Emirati rulers immense opportunities to leverage the financial resources of these economic entities to attain particular political objectives in the domestic and international realms[495]. Finally, Saudi Arabia and UAE’s evolving regional security concerns after the Arab Uprising culminated in a policy consensus to support the regime stability in post-coup Egypt. This critical breaking point in Saudi and Emirati foreign policy towards Egypt provides an expedient ground to examine whether the political motives of these origin nations function as a prominent intervening force in endorsing the dynamics that sustain authoritarian resilience in Egypt. In sum, on the one hand, the proclivity of the Saudi and Emirati authorities to employ foreign investment outflows as a tool of economic statecraft, and on the other hand, the political motives of these countries to sustain regime stability in the region with their regional security concerns precipitated after the Arab Uprisings renders Saudi and Emirati FDI outflows as a suitable case to examine whether investment flows of these countries contributed to the perpetuation of the authoritarian rule in Egypt.

To examine the formulated hypotheses, this research adopts a mixed-method approach, capitalizing on both quantitative and qualitative strategies. In the scope of the quantitative segment of the study, the research runs analyses on a hand-coded dataset of shareholder structure of the firms listed on the Egyptian stock exchange. Using the panel feature of the data, the study tested the hypotheses by primarily leveraging logit fixed effects models. One of the inferences that could be drawn from the output of the models is that Saudi and Emirati investors are more likely to invest in politically connected firms. This result accentuates that Saudi and Emirati FDI could have contributed to the survival of incumbents in Egypt by triggering the cooptation-enabling dynamics and, thereby, strengthening the patronage network in Egypt. Furthermore, apart from the panel regression analysis, the network analysis

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[494] Babic, Garcia-Bernardo, and Heemskerk, "The Rise of Transnational State Capital: State-Led Foreign Investment in the 21st Century."

[495] Roll, "A Sovereign Wealth Fund for the Prince: Economic Reforms and Power Consolidation in Saudi Arabia."

that maps the shareholder relations of the firms invested by Saudi and Emirati actors indicates that the bulk of the Saudi and Emirati investment is concentrated on politically connected firms. The network analysis also reveals that most influential Saudi and Emirati actors are also politically connected actors, representing predominantly either ruler families of Saudi Arabia and the United Arab Emirates or notable business elites of these nations.

The inclusion of the interaction term into the model that accounts for the proclivity of Saudi and Emirati investments to target politically connected firms in the Egyptian stock exchange before and after 2013 presents more intuitive insights. The military coup that overthrew the Muslim Brotherhood-affiliated Morsi government presents a critical breakthrough in Egypt's political history. In the aftermath of the coup, Egypt's brief experience with democratic transition abruptly terminated with military intervention. Saudi Arabia and UAE vehemently supported the post-coup junta regime and financially supported both the military interim government and the presidency of Abdelfattah El-Sisi, who led the military coup d'état. In Egypt's political landscape after 2013, Saudi and Emirati leaders explicitly demonstrated motivation to endorse Egyptian incumbents by shedding political support, as well as deploying vast financial resources to keep the Egyptian regime economically afloat. Therefore, this conjuncture gives an expedient opportunity to test whether the rising political motivations of these home nations to endorse the political survival of incumbents in Egypt serve as an intervening force, influencing the FDI's contribution to authoritarian survival through cooptation-enabling and budget-endorsing effects. Consequently, the interpretation of the interaction terms suggests that Saudi and Emirati investors are more likely to invest in politically connected firms after 2013. That may be construed as the cooptation-enabling effect of Saudi and Emirati FDI would be more pronounced after the period when they explicitly adopted maintaining the stability of political regimes in Egypt as a political objective. The findings shed support on *Hypothesis 2*, which asserts that FDI may contribute to authoritarian resilience through cooptation-enabling mechanisms, and this effect is predicated on the political motives of home nations to endorse authoritarian incumbents in host countries.

On the other hand, the quantitative analysis cannot find support for *Hypothesis 1*, which investigates the one precursor of the budget-endorsing effect of FDI on authoritarian resilience. The output of the models suggests that Saudi and Emirati investors are not likely to invest in firms that are previously owned or partnered by the Egyptian government. On the contrary, statistical models and exploratory data analysis indicate a negative inclination of Saudi Arabia and UAE-originated investors to prefer the government-affiliated firms listed in Egypt's stock exchange, challenging one of the theoretical propositions of the study. However, quantitative analysis only presents a tentative account of the controversial nature of this finding. The qualitative section of the research offers a more nuanced exploration of *Hypothesis 1* by conducting a comprehensive analysis that considers not only Saudi Arabia and the UAE's portfolio investments but also includes their investments in joint business ventures. Additionally, this section unveils the substantial historical processes shaping Saudi Arabia and the UAE's investment policies in Egypt.

The qualitative segment of the study employs process tracing as the primary empirical strategy aimed at historicizing the Saudi and Emirati investments in Egypt and examining the sequence of critical events in a pertinent political and sociological context. Hence, while the primary objective of the quantitative section is to unveil the noteworthy relationship between variables suggesting causation, the qualitative analysis is more focused on elucidating the causal processes at play[496]. The focus on the processes rather than the causes themselves provides empirical advantages that quantitative analysis cannot address, such as responding to the emerging alternative hypotheses and the problem of endogeneity that arises due to omitted variable bias, selection bias, or reverse causality[497]. In addition, the study relies on distinctive compiled data on the state-sponsored investments of Saudi Arabia and UAE in Egypt between 2000 and 2023. The data includes the investments of Saudi and Emirati firms in Egypt that are facilitated by bilateral agreements concluded between state actors. Since this data considers both joint investment schemes and portfolio investments, it is conducive to gaining more comprehensive insights into

[496] Beach and Pedersen, *Process-Tracing Methods*.

[497] Collier, "Understanding Process Tracing."

understanding the investment relations steered by Saudi and Emirati political leaders. Finally, the study resorted to interviews conducted with the four distinguished experts on the politics of the region and integrated their valuable perspectives into the analysis to present a more elaborate explanation.

The process tracing of Saudi and Emirati investments in Egypt from 2000 to 2023 suggests that the post-coup era in Egypt marked a crucial period wherein evolving trends emerged, showcasing how Saudi and Emirati political leaders utilized investment inflows as an extension of their economic statecraft in Egypt. While Saudi and Emirati investments in Egypt were not unheard of before the military coup organized in 2013, Saudi and Emirati leaders unprecedentedly deployed political and economic resources to spur Saudi Arabia and UAE-originated foreign investment into Egypt. One significant indicator of the deployed economic resources had been the incremental activities of the Saudi and Emirati state-owned enterprises and subsidiaries of the sovereign wealth funds to expedite investments in Egypt. Saudi and Emirati leaders personally urged foreign state-led investments into the country by authorizing these state-affiliated business entities to consider investment opportunities in the bilateral and multilateral diplomatic platforms.

Moreover, Saudi Arabia and UAE mobilized their political resources to accelerate foreign investment into Egypt, aiming at integrating economically motivated private Saudi and Emirati investors into the framework that instrumentalizes the investment outflows as a tool of economic statecraft. The political involvement of the Saudi and Emirati leaders in Egypt's investment landscape can be observed in two critical processes: The prosecution of the Saudi and Emirati businesspeople after the Arab Uprising and Egypt's negotiations with the IMF to procure remedial loans. Saudi and Emirati leaders resorted to diplomatic resources to solve the "legal troubles" encountered by Saudi and Emirati private investors and urged the Egyptian government to establish a legal mechanism that would extend perennial protection to foreign investors. The diplomatic maneuver culminated in the promulgation of a new investment law that not only constituted a legal base for exonerating the prosecuted Saudi and Emirati investors but also provided further guarantees against nationalization and confiscation of foreign assets. The mobilization of the political resources in this endeavor had been conducive to decreasing the political risks entitled to foreign investment, facilitating the fertile ground for investment inflows. Furthermore, Saudi and Emirati governments evinced focused political efforts in endorsing Egypt to conclude negotiations with the IMF in 2016. The procured loans and implementation of the conditioned economic reforms were regarded as crucial steps for relieving the economic grievance of the private investors in the country.

Consequently, Saudi Arabia and UAE evinced explicit political will to leverage foreign investments as a tool of economic statecraft in line with their foreign policy objectives towards Egypt. Saudi Arabia and UAE deployed economic resources by assuming the role of a major investor in Egypt through the vast amount of investment through their state-owned enterprises and sovereign wealth funds, as well as mobilized political resources to integrate the Saudi and Emirati private investors into this policy framework by encouraging Egyptian government to address their political and economic grievances. The study reveals that the incremental involvement of Saudi and Emirati governments in Egypt's investment landscape in the post-coup era has an inextricable interaction with the FDI inflows' contribution to the regime survival in Egypt through cooptation-enabling and budget-endorsing dynamics. Both process tracing and state-sponsored investment data indicate that state-owned enterprises in Egypt have been one of the major beneficiaries of burgeoning state-led Saudi and Emirati investments. Qualitative analysis sheds support on *Hypothesis 1*, which states that Saudi and Emirati supporters are more likely to invest in local firms that are already owned or invested by the Egyptian government. The quantitative analysis overlooked this relationship since it merely focused on the portfolio investments of these nations in Egypt's stock exchange. However, the historical analysis of the Saudi and Emirati investments in Egypt reveals that investment actors from these countries opt for investing in a scheme of joint investment rather than acquiring the states of the local firms affiliated with the Egyptian government. The qualitative section also sheds support for *Hypothesis 2*. The politically connected business elite had been one of the prominent partners of Saudi and Emirati businessmen. The notable exemplification of this partnership can be seen in Egypt's flagship projects, such as the construction of the New Administrative City and the development of the Suez Canal area. The Egyptian military and politically connected elite had been major contractors in these projects that were invested by Saudi and Emirati state-led entities and private investors.

6.1. Alternative Hypotheses

One of the utilities of the process tracing methodology is that it enabled the research to respond to some arising alternative hypotheses. Both quantitative and qualitative analyses suggest that Saudi and Emirati investors are more likely to invest in Egyptian firms listed on the Egyptian stock exchange that includes a politically connected local stakeholder, especially after the military coup of 2013 that overthrew Muslim Brotherhood-affiliated Morsi and led to the ascent of El-Sisi into power, who enjoyed the endorsement of Saudi Arabia and UAE. The author propounds that the observed relationship embodies the political implications of the Saudi and Emirati investments in Egypt, suggesting Saudi Arabia and UAE's employment of investments as a tool of economic statecraft in pursuit of sustaining regime survival in Egypt. It accentuates that Saudi and Emirati FDI inflows may contribute to triggering the cooptation dynamics between incumbents and the political elite.

Nevertheless, one may argue that the link between the Saudi and Emirati investment and politically connected companies can be observed purely due to the economic motivations of the investors[498]. According to this perspective, foreign investors may opt for politically connected firms in expectation of obtaining exclusive privileges from the government[499]. Furthermore, politically connected firms could already be entitled to specific economic prerogatives that may give them a distinctive edge in competing with other firms in the market. Foreign economic agents in pursuit of economic rents may bandwagon into these firms in order to be part of a privileged class[500]. In the context of this research, responding to this alternative hypothesis is

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[498] Özcan, G. B., & Gündüz, U. (2015). Political connectedness and business performance: evidence from Turkish industry rankings. *Business and Politics*, *17*(1), 41-73.

[499] Haveman, H. A., Jia, N., Shi, J., & Wang, Y. (2017). The Dynamics of Political Embeddedness in China. *Administrative Science Quarterly*, *62*(1), 67–104. http://www.jstor.org/stable/44508320

[500] Rijkers, B., Freund, C., & Nucifora, A. (2017). All in the family: State capture in Tunisia. *Journal of development economics*, *124*, 41-59.

important to prove the link between political motives and FDI is not spurious and that FDI inflows can be molded and instrumentalized for achieving particular political objectives in the host country. Thanks to the process tracing methodology, this research addresses this alternative hypothesis by situating the link between political variables and FDI in a particular historical timeframe and web of political conjunctures. The study indicates that although the intentions of Saudi and Emirati private businesses investing in Egypt may be driven by profit motives, the pivotal factor altering the dynamics of investment relations with Egypt lies in the determination of Saudi and Emirati political leaders to politicize these investments. The leaders from Saudi Arabia and the UAE demonstrated an unparalleled deployment of political resources, strategically leveraging investment flows to achieve specific geopolitical goals in post-coup Egypt that were in line with the shared objective of bolstering the stability of the authoritarian regime. During Mubarak's incumbency, Saudi and Emirati state-led investments were not as substantial as in the post-coup era, and the inflow of Saudi and Emirati investment would not be expedited unless the Saudi and Emirati leadership deployed political initiatives to encourage the Egyptian regime so as to alleviate political and economic grievances of the private investors from these home nations.

Another alternative hypothesis can be coined by the Marxist perspective. From this standpoint, one may argue that the extension of the Saudi and Emirati capital in Egypt can be construed as a broad scheme of internationalization of Gulf capitalism in which Gulf capitalists discover novel accumulation opportunities in the region[501]. In this perspective, the interest of the capitalist classes is the core of the analytical framework, and the main contention is that the accumulation of the capital is predicated on the expropriation of regional labor by a hierarchically structured capitalist class that constitutes a collaboration of Gulf-capitalist with the regional capital owners[502]. This research sheds some support to this perspective by indicating that Saudi and Emirati investors constitute a close-knit network in which allocated investments are more likely to be connected. Furthermore, Saudi and Emirati

[501] Hanieh, *Capitalism and Class in the Gulf Arab States*; *Money, Markets, and Monarchies*; Henderson, "Gulf Capital and Egypt's Corporate Food System: A Region in the Third Food Regime."

[502] Hanieh, *Capitalism and Class in the Gulf Arab States*; *Money, Markets, and Monarchies*.

investors are more likely to collaborate with Egypt's capitalist class, opting for inking partnerships in various joint investment projects. Nevertheless, this research also highlights that expansion of the Gulf capital in the region was nurtured under the umbrella of the political rulers, who were capable of integrating Gulf capitalists' interests into a political framework reinforcing their political objectives in the region. Moreover, the primacy of the geopolitical objectives over the private economic interests hinted at certain political breakthroughs and crises. One of those crises in the examined case is Saudi Arabia and UAE's conflict with Qatar, which erupted after the Arab Uprising. In post-coup Egypt, Qatar had been excluded from the Gulf's investment network in the country, albeit presence of extensive investments. Even though the Qatar crisis brought a standstill to Gulf capital accumulation, emerging political dynamics enmeshed with the regional security concerns of the Gulf rulers prevailed over the interests of the capitalist classes, though not completely undermining them.

6.2. Theoretical Contribution

The findings of this study may present significant insights for three distinctive agendas of social research examining the political implications of the FDI. First and foremost, this research contributes to the pile of academic work that examines the forces perpetuating authoritarian resilience. While, the role of other financial resources on the survival of the authoritarian incumbents has been meticulously studied, with a predominant emphasis on foreign aid and natural resources[503], the link between FDI and authoritarian resilience is a recently developing research subject. The conclusion of this research supports the prevailing studies that contend that FDI may contribute to the regime survival in authoritarian polities[504]. FDI may function as a precious financial fund for authoritarian incumbents that can be leveraged by authoritarian leaders to crystalize their patronage network and

503 Bader and Faust, "Foreign Aid, Democratization, and Autocratic Survival."; Brownlee, *Authoritarianism in an Age of Democratization*; De Mesquita and Smith, "Foreign Aid and Policy Concessions."

504 Escribà□Folch, "Foreign Direct Investment and the Risk of Regime Transition in Autocracies."; Rommel, "Foreign Direct Investment and the Politics of Autocratic Survival."; Bak and Moon, "Foreign Direct Investment and Authoritarian Stability."

strengthen the repressive apparatus of the states that may assist them in quelling the threat of popular revolts or elite defection[505]. Furthermore, FDI may function as a commitment device between the political elite and incumbents, cementing the loyalty of the former to the political regime by increasing the cost of defection[506]. However, despite the prowess of the employed conceptual framework, the studies examining the link between FDI and authoritarian resilience predominantly focus on the inference of foreign investments into the domestic processes affecting the dynamics of authoritarian leaders cling to power, and they overlook how international forces may intervene in these mechanisms upholding foreign investments' contribution to the regime survival. Findings emphasize the significance multilayered structure of the FDI subsuming home countries, host countries, and private business actors, and reveal that the political motives of the home countries to instrumentalize FDI inflows to endorse the authoritarian incumbents in host countries function as a crucial intervening force, effecting the budget-endorsing and cooptation enabling dynamics that bolster the authoritarian incumbents' prospects to stay in power. Home country's policies are a pertinent factor in the link between FDI and regime survival since these nations can be capable agents of mobilizing both economic resources to facilitate state-led foreign investment inflows into the host nations, as well as political resources to ensure the integration of the private investors into the framework that politicizes the FDI flows.

Second, this study underscores the perspective in International Political Economy which posits that tools of economic statecraft can be harnessed by the states so as to attain particular geopolitical objectives[507]. The findings of the research emphasize that Saudi and Emirati governments constituted a political framework for the foreign

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[505] Escribà□Folch, "Foreign Direct Investment and the Risk of Regime Transition in Autocracies."; Rommel, "Foreign Direct Investment and the Politics of Autocratic Survival."; "Foreign Direct Investment and Political Preferences in Non-Democratic Regimes."

[506] Bak and Moon, "Foreign Direct Investment and Authoritarian Stability."

[507] Braunstein, "Domestic Sources of Twenty-First-Century Geopolitics: Domestic Politics and Sovereign Wealth Funds in Gcc Economies."; Ian Bremmer, "State Capitalism Comes of Age: The End of the Free Market?," *Foreign Aff.* 88 (2009); Cohen, "Sovereign Wealth Funds and National Security: The Great Tradeoff."; Farrell and Newman, "Weaponized Interdependence: How Global Economic Networks Shape State Coercion."; Gertz and Evers, "Geoeconomic Competition: Will State Capitalism Win?."; Gilpin, *The Political Economy of International Relations*; Roll, "A Sovereign Wealth Fund for the Prince: Economic Reforms and Power Consolidation in Saudi Arabia."

investment outflows to Egypt and embarked on mobilizing immense political and economic resources to expedite both state-led and private investment into Egypt. The flow of investment, along with other types of economic transactions, had been effective in keeping both post-coup Egyptian governments economically afloat and enabled these incumbents to cement their domestic patronage network. Hence, the study highlights the existence of geopolitical trends intertwined with Saudi and Emirati investments in Egypt, especially after the 2013 coup d'état.

Nonetheless, the study also highlights that this presence of geopolitical factors does not necessarily diminish the explanatory power of the geoeconomic motives identified in the study. On the contrary, the study reveals that the instrumentalization of foreign investment as a foreign policy tool in pursuit of geopolitical objectives may urge political authorities to take the economically oriented interests of private investors into account. The significant place of private investors in the equation necessitates investigating the politics of the FDI in a context where the interplay of geopolitical and geoeconomic motives takes place. In this sense, the conclusions of this study diverge from one particular perspective in IPE that underlines the existence of a tension between geopolitical and geoeconomic trends.

Accordingly, the political aspirations of the states to balance rising economic powers may come to cross with the economic motives of the private firms that could benefit from the economic interdependencies. It is argued that divergent motives of the states and private business actors constitute tension between geopolitical trends arising from the power rivalry of the states and geoeconomic trends signified by private actors' pursuit of profit maximization through discovering market opportunities in these rival states[508]. In this sense, the emergence of the market interdependencies that allure the private business actors also engenders considerable geopolitical pressures for the states[509]. However, even though this tension between geopolitical pressures and geoeconomic trends can still be at large – particularly between the United States and China-this study indicates that this tension may not be inevitable in every case.

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[508] Kapur and Suri, "Geoeconomics Versus Geopolitics: Implications for Asia."

[509] Ibid., 292.

Finally, this study contributes to the burgeoning literature on the political economy of investments in the Middle East by examining the political implications of the two significant oil-rich regional economies' FDI outflows. Indeed, Saudi Arabia and UAE's regional investments are a relatively novel phenomenon, sparking substantial interest among the experts of the Middle East to understand the economic drives and reverberations of these investments, as well as rising political implications along with altering the geopolitical landscape in the region[510]. This study, on the one hand, pinpoints the significance of the economic drives steering the Saudi and Emirati investments in Egypt. Sectoral distribution of the investments reveals a pattern in congruence with the economic diversification plans of these nations, hinting at the presence of geoeconomic motives at play, particularly during the Saudi Arabia and UAE's investment relations during the Mubarak era. On the other hand, the research substantiates that changing geopolitical dynamics have been an imperative force on Saudi Arabia and UAE, prompting them to instrumentalize the FDI flows in a political framework addressing their security concern in the region. Therefore, the military coup presents a critical point in Saudi and Emirati investment relations with Egypt, signifying the deployment of substantial political and economic resources of the nations in molding a foreign investment framework contributing to the political survival of the incumbents in post-coup Egypt. The study reveals that even the most privately constituted economic transaction cannot considered independently of the politics in the region, underlining the enmeshed interaction of political and economic forces at play in the Middle East.

6.3. Policy Implication

The findings of this thesis shed support on the proposition that FDI may contribute to the perpetuation of authoritarian rule and that the allocation of foreign investment into government and political elite-affiliated domestic firms plays a substantial role in the emergence of this relationship. This conclusion suggests a specific policy recommendation for pro-democratic policymakers aiming to mitigate the

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[510] Young, "A New Politics of Gcc Economic Statecraft: The Case of Uae Aid and Financial Intervention in Egypt."; Farouk, "More Than Money: Post-Mubarak Egypt, Saudi Arabia, and the Gulf."; Kamrava, *The Political Economy of Rentierism in the Persian Gulf.*; Tétreault, *Gulf Arab States' Investment of Oil Revenues*.; Hanieh, *Money, Markets, and Monarchies*.

consolidating impact of FDI outflows into authoritarian host nations. In this context, such motivation aligns with the efforts of certain pro-democratic donor countries seeking to prevent authoritarian leaders in recipient nations from using foreign aid to strengthen their grip on power. These donor countries may resort to attaching conditionalities and monitoring strategies to ensure that aid flows will not be easily preyed on by authoritarian incumbents. The former strategy refers to conditioning the flows of aid to the implementation of certain democratic reforms in the recipient country[511], whereas the latter refers to devising an institutional framework to monitor whether disbursed aid is spent in the scope of developmental objectives[512]. Nevertheless, in curbing the FDI's contributory role in authoritarian resilience, these strategies may not be practical because of the multi-faceted structure and business-oriented nature of the FDI. Put differently, it may not be feasible to attach conditionality or monitor the investment activities of multiple profit-oriented business agents in a host country.

Hence, this study suggests that devising smart incentives aimed at steering investment outflows into domestic firms that are less likely to be politically affiliated or government-owned small and medium enterprises (SMEs) would be a more effective strategy. In this sense, incentivizing the investment outflows based on the size of the domestic firm rather than the sector of investment would be conducive to curbing the contributory effect of FDI in endorsing the authoritarian incumbents, as well as contributing to the industrial development of SMEs that are an indispensable element of economic growth and employment, particularly in Middle Eastern countries[513]. These incentives can be comprised of economic benefits that may allure private investors, such as tax prerogatives and privileged access to the credit supply, and they can be implemented under a legal framework institutionalized under national or international bodies.

[511] Molenaers, Dellepiane, and Faust, "Political Conditionality and Foreign Aid."

[512] Adea Gafuri, "Can Democracy Aid Improve Democracy? The European Union's Democracy Assistance 2002–2018," *Democratization* 29, no. 5 (2022).

[513] Michel Soto Chalhoub, "Culture, Management Practices, and the Entrepreneurial Performance of Small and Medium Enterprises: Applications and Empirical Study in the Middle East," *Journal of Small Business & Entrepreneurship* 24, no. 1 (2011).

6.4. Limitation and Future Research

This study finds support for the budget-endorsing and cooptation-enabling mechanisms' contribution to authoritarian resilience in host nations. However, it is important to note that in addition to budget endorsing effects and "cooptation enabling dynamic", a third mechanism could be proposed by emphasizing FDI's legitimacy endorsing effect in the host country[514]. Indeed, FDI may improve overall economic well-being by creating both employment and reinvigorating the economy through the spillover effects of established business ventures. Nevertheless, in this study, we could not extend our scope to examine the link between FDI and its hypothesized legitimacy effects. One of the important reasons is the absence of reliable data on Saudi and Emirati investments' contribution to the overall employment in the country. Even though some political officials and businessmen give some numbers on created jobs through investments, the data is still anecdotal and incomplete to be framed in a time-series data structure[515]. Therefore, the study restricts its scope to examine FDI's impact on regime survival through the lenses of these two mechanisms. Further studies may examine the nexus between the legitimacy-endorsing effect of FDI on authoritarian resilience and policies of the home countries to instrumentalize FDI flows by employing a more comprehensive dataset collected through a survey of those citizens affected by foreign investment.

Additionally, another course of future research may focus on the coercive aspect of the politics of FDI and authoritarian survival. This research underlines that tools of economic statecraft can be used as a means of endorsement of foreign nations in the context of attaining particular foreign policy objectives. However, it is important to acknowledge that these tools of economic statecraft can be used as a means of coercion that are utilized in order to compel foreign nations to make political concessions demanded by the origin countries[516]. In this sense, the economic

[514] Rommel, "Foreign Direct Investment and the Politics of Autocratic Survival."

[515] Ahram Online, "Pan-Arab Investment Helps Week's Surge in Egypt Jobs - Economy - Business," https://english.ahram.org.eg/NewsContent/3/12/16578/Business/Economy/PanArab-investment-helps-weeks-surge-in-Egypt-jobs.aspx.

[516] Farrell and Newman, "Weaponized Interdependence: How Global Economic Networks Shape State Coercion."

capabilities of the states can be steered into the mobilization of economic and political resources to provide a support line to foreign nations that evince a significant political saliency, as well as these economic capacities can constitute economic interdependencies that states may opt to leverage in order to compel into a desired policy response from the target country[517]. One important implication of the compelling strategy would be hindering the flow of FDI, depriving the incumbent in the host nations of one of the valuable sources of financial resources. Since one of the particular reverberations of this policy would be endangering the prospects of regime survival in the targeted country, it may function as a credible threat for coercing the FDI-dependent nations into complying with particular political concessions. Traces of this strategy can be observed in Saudi Arabia and UAE's investment relations in Egypt, particularly during Morsi's incumbency. The foreign exchange crisis characterized by melting central bank reserves and dwindling inflow of capital culminated in severe economic problems, posing paramount challenges ahead of the Muslim Brotherhood-affiliated Morsi government[518]. Consequently, while the scope of this thesis is only limited to the "carrot" function of the FDI in endorsing authoritarian governance, examining the "stick" aspect of this relationship would be a promising path of political research.

[517] Gertz and Evers, "Geoeconomic Competition: Will State Capitalism Win?."

[518] Country Watch Reviews, "Economic Conditions Egypt".

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APPENDICES

A. TABLE OF THE LISTED FIRMS IN EGYPT'S STOCK EXCHANGE

	Company Name	Symbol	Available Years	Sector	SOE?
1	General Co for Land Reclamation Development and Reconstruction	AALR	2009-2022	Real Estate	Yes
2	Abou Qir Fertilizers	ABUK	2009-2022	Banks	Yes
3	Arab Co. for Asset Management And Development	ACAMD	2018-2022	Real Estate	No
4	Arabia Cotton Ginning	ACGC	2009-2022	Textile & Durables	No
5	Acrow Misr	ACRO	2009-2022	Contracting & Construction Engineering	Yes
6	Arab Drug Company for Pharmaceuticals and Chemical	ADCI	2009-2022	Health Care & Pharmaceuticals	Yes
7	Abu Dhabi Islamic Bank Egypt	ADIB	2009-2022	Banks	Yes
8	The Arab Dairy Products	ADPC	2009-2022	Food, Beverages and Tobacco	No
9	Arab for Development and Real Estate Investment	ADRI	2014-2022	Real Estate	No
10	Al Ahly for Development & Investment	AFDI	2009-2022	Non-bank financial services	Yes
11	Alexandria Flour Mills	AFMC	2009-2022	Food, Beverages and Tobacco	Yes
12	Atlas For Investment and Food Industries	AIFI	2011-2022	Real Estate	No
13	Arabia Investments Development Financial Investments Holding	AIH	2014-2022	Non-bank financial services	No
14	Assiut Islamic National Trade and Development	AITG	2009-2022	Travel & Leisure	No
15	Al Arafa For Investment And Consultancies	AIVC	2009-2022	Textile & Durables	No
16	Ajwa For Food Industries Company Egypt	AJWA	2009-2022	Food, Beverages and Tobacco	No
17	Alexandria Containers And Goods	ALCN	2009-2022	Shipping & Transportation Services	Yes
18	Alexandria Cement	ALEX	2009-2022	Building Materials	No
19	Arab Aluminum	ALUM	2009-2022	Basic Resources	No
20	Amer Group Holding	AMER	2010-2022	Real Estate	No
21	Alexandria New Medical Center	AMES	2009-2022	Health Care & Pharmaceuticals	No

22	Arab Moltaka Investments Co.	AMIA	2009-2022	Non-bank financial services	No
23	Alexandria Mineral Oils Company	AMOC	2009-2022	Energy & Support Services	Yes
24	Al Moasher For Programming And Information Dissemination	AMPI	2011-2022	IT , Media & Communication Services	No
25	Alexandria National Company For Financial Investments	ANFI	2009-2022	Non-bank financial services	No
26	Advanced Pharmaceutical Packaging Co.	APPC	2009-2022	Health Care & Pharmaceuticals	No
27	Arab Polvara Spinning And Weaving	APSW	2009-2022	Textile & Durables	Yes
28	Arab Developers Holding	ARAB	2016-2022	Real Estate	No
29	Arabian Cement Company	ARCC	2014-2022	Building Materials	No
30	Real Estate Egyptian Consortium	AREH	2014-2022	Real Estate	Yes
31	Arabian Rocks Plastic Industries SAE	ARPI	2017-2022	Real Estate	No
32	Arab Valves Company	ARVA	2009-2022	Building Materials	No
33	Asek Company For Mining - Ascom	ASCM	2009-2022	Basic Resources	No
34	Aspire Capital Holding for Financial Investments	ASPI	2009-2022	Non-bank financial services	No
35	Al Tawfeek Leasing Company - A.T.Lease	ATLC	2017-2022	Non-bank financial services	No
36	Misr National Steel - Ataqa	ATQA	2009-2022	Basic Resources	Yes
37	GB Auto	AUTO	2009-2022	Industrial Goods , Services and Automobiles	No
38	Alexandria Co for Pharmaceutical and Chemical Industries	AXPH	2009-2022	Health Care & Pharmaceuticals	Yes
39	El Barbary Investment Group (BIG)	BIGP	2012-2022	Trade & Distributors	No
40	B Investments Holdings	BINV	2018-2022	Non-bank financial services	Yes
41	Glaxo Smith Kline	BIOC	2009-2022	Health Care & Pharmaceuticals	No
42	Beltone Financial Holding	BTFH	2009-2022	Non-bank financial services	No
43	Cairo Educational Services	CAED	2009-2022	Education Services	No
44	Suez Canal Bank	CANA	2009-2022	Banks	No
45	Citadel Capital SAE	CCAP	2009-2022	Non-bank financial services	No
46	Gulf Canadian Real Estate Investment Co.	CCRS	2009-2022	Real Estate	Yes
47	Middle Egypt Flour Mills	CEFM	2009-2022	Food, Beverages and Tobacco	Yes

48	Arab Ceramic	CERA	2009-2022	Building Materials	No
49	CI Capital Holding	CICH	2018-2022	Non-bank financial services	Yes
50	Credit Agricole Egypt	CIEB	2009-2022	Banks	No
51	Cairo For Investment And Real Estate Development	CIRA	2009-2022	Education Services	No
52	Cairo Development and Investment	CIRF	2009-2018	Real Estate	No
53	Cleopatra Hospital	CLHO	2016-2022	Health Care & Pharmaceuticals	No
54	Contact Financial Holding SAE	CNFN	2018-2022	Non-bank financial services	No
55	Commercial International Bank (Egypt)	COMI	2009-2022	Banks	Yes
56	Cairo Oils & Soap	COSG	2009-2022	Food, Beverages and Tobacco	No
57	Cairo Pharmaceuticals and Chemical Industries	CPCI	2009-2022	Health Care & Pharmaceuticals	Yes
58	Canal Shipping Agencies	CSAG	2009-2022	Shipping & Transportation Services	Yes
59	Development & Engineering Consultants	DAPH	2009-2022	Real Estate	No
60	Delta Construction & Rebuilding	DCRC	2009-2022	Real Estate	No
61	Delta Insurance	DEIN	2009-2022	Non-bank financial services	No
62	Arabian Food Industries(DOMTY)	DOMT	2016-2022	Food, Beverages and Tobacco	No
63	Dice Sport & Casual Wear	DSCW	2009-2022	Textile & Durables	Yes
64	Delta Co for Printing and Packaging	DTPP	2009-2022	Industrial Goods , Services and Automobiles	Yes
65	El Arabia For Land Reclamation	EALR	2009-2022	Contracting & Construction Engineering	Yes
66	Egyptian Arabian Company Themar for Securities Brokerage	EASB	2009-2022	Non-bank financial services	No
67	Eastern Tobacco	EAST	2009-2022	Food, Beverages and Tobacco	Yes
68	El Badr Plastic	EBDP	2012-2022	Basic Resources	No
69	Osool ESB Securities Brokerage	EBSC	2009-2022	Non-bank financial services	No
70	El Ezz Ceramics & Porcelain (Gemma)	ECAP	2009-2022	Building Materials	No
71	Egyptian For Developing Building Materials	EDBM	2009-2022	Contracting & Construction Engineering	No
72	East Delta Flour Mills	EDFM	2009-2022	Food, Beverages and Tobacco	Yes
73	Arab Engineering Industries	EEII	2009-2022	Industrial Goods , Services and Automobiles	No

74	Egyptian Financial & Industrial	EFIC	2009-2022	Basic Resources	Yes
75	Edita Food Industries	EFID	2015-2022	Food, Beverages and Tobacco	No
76	E-finance for Digital and Financial Investements	EFIH	2020-2022	Non-bank financial services	Yes
77	Egypt Aluminum Company	EGAL	2009-2022	Basic Resources	Yes
78	Egypt Gas Company	EGAS	2009-2022	Utilities	Yes
79	Egyptian Gulf Bank	EGBE	2009-2022	Banks	Yes
80	Egyptian Chemical Industries (Kima)	EGCH	2009-2022	Basic Resources	Yes
81	Egyptian Satellites (NileSat)	EGSA	2009-2022	IT , Media & Communication Services	Yes
82	Egyptian For Tourism Resorts	EGTS	2009-2022	Travel & Leisure	Yes
83	Egyptians for Housing Development	EHDR	2009-2022	Real Estate	Yes
84	Egyptian Company for International Touristic Projects	EITP	2009-2022	Travel & Leisure	No
85	Egyptians For Investment & Urban Development	EIUD	2009-2022	Real Estate	No
86	Egyptian Kuwait Holding	EKHO	2009-2022	Non-bank financial services	No
87	Electro Cable Egypt Company	ELEC	2009-2022	Industrial Goods , Services and Automobiles	Yes
88	El Kahera Housing	ELKA	2009-2022	Real Estate	No
89	El Nasr For Manufacturing Agricultural Crops	ELNA	2009-2022	Food, Beverages and Tobacco	No
90	El Shams Housing & Urbanization	ELSH	2009-2022	Real Estate	Yes
91	El Wadi Touristic Development	ELWA	2012-2022	Travel & Leisure	No
92	Emerald Development & Projects Management	EMDE	2021-2022	Real Estate	Yes
93	Emaar Misr For Development	EMFD	2015-2022	Real Estate	No
94	Emerald for Real Estate Investment	EMRI	2020-2022	Real Estate	Yes
95	Engineering Industries (Icon)	ENGC	2009-2022	Contracting & Construction Engineering	No
96	Al Orouba Securities Brokerage	EOSB	2009-2022	Non-bank financial services	No
97	Egypt For Poultry	EPCO	2009-2022	Food, Beverages and Tobacco	No
98	El Ahram Co. For Printing And Packing	EPPK	2009-2022	Paper & Packaging	No
99	Egyptian Starch & Glucose	ESGI	2009-2022	Food, Beverages and Tobacco	No

100	Ezz Steel	ESRS	2009-2022	Basic Resources	Yes
101	Telecom Egypt	ETEL	2009-2022	Telecom Services	Yes
102	Egyptian Transport & Commercial Services	ETRS	2009-2022	Shipping & Transportation Services	Yes
103	Export Development Bank Of Egypt	EXPA	2009-2022	Banks	Yes
104	Faisal Islamic Bank Of Egypt (EGP)	FAITA	2018-2022	Banks	Yes
105	Ferchem Misr Company for Fertilizers and Chemicals	FERC	2012-2019	Basic Resources	No
106	First Investment And Real Estate Development	FIRE	2012-2022	Real Estate	No
107	Al Fanar Contracting, Construction, Trade, Import And Export	FNAR	2011-2022	Contracting & Construction Engineering	No
108	Fawry for Banking Technology	FWRY	2019-2022	IT , Media & Communication Services	Yes
109	Genial Tours	GETO	2013-2022	Travel & Leisure	No
110	Giza General Contracting	GGCC	2009-2022	Contracting & Construction Engineering	Yes
111	Gharbia Islamic Housing Development	GIHD	2009-2022	Real Estate	No
112	GMC Group For Industrial, Commercial And Financial Investments	GMCI	2009-2022	Trade & Distributors	No
113	Golden Coast Company	GOCO	2013-2022	Travel & Leisure	No
114	Golden Pyramids Plaza	GPPL	2009-2022	Travel & Leisure	No
115	Grand Investment Capital	GRCA	2009-2022	Non-bank financial services	No
116	General Company for Silos and Storage	GSSC	2009-2022	Food, Beverages and Tobacco	Yes
117	Global Telecom Holding	GTHE	2009-2022	Telecommunications	No
118	Golden Textiles & Clothes Wool	GTWL	2009-2022	Textile & Durables	Yes
119	Housing & Development Bank	HDBK	2009-2022	Banks	Yes
120	Heliopolis Housing	HELI	2009-2022	Real Estate	Yes
121	EFG Hermes Holding Company	HRHO	2009-2022	Non-bank financial services	No
122	International Business Corporation For Trade And Franchise	IBCT	2013-2022	Industrial Goods , Services and Automobiles	No
123	El Dawlia Fertilizers And Chemicals	ICFC	2012-2022	Basic Resources	No
124	International Co For Investment & Development	ICID	2009-2022	Real Estate	No
125	International Company For Leasing (Incolease)	ICLE	2011-2022	Non-bank financial services	Yes

126	International Company For Medical Industries	ICMI	2012-2022	Health Care & Pharmaceuticals	No
127	Ismailia Development And Real Estate	IDRE	2009-2022	Real Estate	No
128	Industrial and Engineering Enterprises	IEEC	2021-2022	Industrials - Capital Goods	No
129	International Agricultural Products	IFAP	2009-2022	Trade & Distributors	No
130	Integrated Engineering Group Sae	INEG	2014-2022	Contracting & Construction Engineering	No
131	Ismailia National Food Industries	INFI	2011-2022	Food, Beverages and Tobacco	No
132	El Ezz Aldekhela Steel - Alexandria	IRAX	2009-2022	Basic Resources	Yes
133	Egyptian Iron & Steel	IRON	2009-2022	Basic Resources	Yes
134	Ismailia Misr Poultry	ISMA	2009-2022	Food, Beverages and Tobacco	No
135	Ibnsina Pharma Co SAE	ISPH	2018-2022	Industrial Goods , Services and Automobiles	No
136	Juhayna Food Industries	JUFO	2009-2022	Food, Beverages and Tobacco	No
137	El Nasr Clothes & Textiles - KABO	KABO	2009-2022	Textile & Durables	Yes
138	Al Khair River for Development Agricultural Investment and Environmental Services Co	KRDI	2021-2022	Food, Beverages and Tobacco	No
139	El Kahera El Watania Investment	KWIN	2009-2022	Non-bank financial services	No
140	Kafr El Zayat Pesticides and Chemicals	KZPC	2009-2022	Basic Resources	Yes
141	Lecico Egypt	LCSW	2009-2022	Building Materials	No
142	Marseille Almasreia Alkhalegeya For Holding Investment	MAAL	2012-2022	Real Estate	No
143	MB Engineering	MBEN	2014-2022	Industrial Goods , Services and Automobiles	No
144	Misr Beni Suef Cement	MBSC	2009-2022	Building Materials	Yes
145	Misr Cement (Qena)	MCQE	2009-2022	Building Materials	Yes
146	Middle East Glass Manufacturing	MEGM	2009-2022	Paper & Packaging	No
147	Mena Touristic & Real Estate Investment	MENA	2009-2022	Real Estate	No
148	Medical Packaging Company	MEPA	2009-2022	Materials - Non-Chemicals	No
149	Misr Fertilizers Production Company	MFPC	2016-2022	Basic Resources	Yes
150	Egypt Free Shops	MFSC	2009-2022	Trade & Distributors	No

151	Misr Hotels	MHOT	2009-2022	Travel & Leisure	Yes
152	Misr Chemical Industries	MICH	2009-2022	Basic Resources	Yes
153	North Cairo Flour Mills	MILS	2009-2022	Food, Beverages and Tobacco	Yes
154	Minapharm Pharmaceuticals	MIPH	2009-2022	Health Care & Pharmaceuticals	No
155	Egypt Intercontinental for Granite and Marble	MISR	2009-2022	Building Materials	No
156	Misr Kuwait Investment And Trading (Meatello)	MKIT	2012-2022	Food, Beverages and Tobacco	No
157	Marsa Marsa Alam For Tourism Development	MMAT	2012-2022	Travel & Leisure	No
158	Medinet Nasr Housing	MNHD	2009-2022	Real Estate	Yes
159	Egyptian Modern Education Systems	MOED	2012-2022	Education Services	No
160	Maridive & Oil Services	MOIL	2009-2022	Energy & Support Services	Yes
161	Mohandes Insurance	MOIN	2009-2022	Non-bank financial services	Yes
162	Misr Oils & Soap	MOSC	2009-2022	Food, Beverages and Tobacco	Yes
163	Memphis Pharmaceuticals	MPCI	2009-2022	Health Care & Pharmaceuticals	Yes
164	Mansoura Poultry	MPCO	2009-2022	Food, Beverages and Tobacco	No
165	Egyptian Media Production City	MPRC	2009-2022	IT , Media & Communication Services	Yes
166	MM Group For Industry And International Trade	MTIE	2011-2022	Trade & Distributors	No
167	NAEEM Holding	NAHO	2009-2022	Non-bank financial services	No
168	National Bank Of Kuwait Egypt	NBKE	2009-2022	Banks	No
169	Nasr Company For Civil Works	NCCW	2009-2022	Contracting & Construction Engineering	Yes
170	National Cement	NCEM	2009-2022	Construction and Materials	Yes
171	Nile Cotton Ginning	NCGC	2009-2022	Textile & Durables	No
172	Nile City Investment	NCIN	2009-2022	Travel & Leisure	No
173	National Drilling Company	NDRL	2009-2022	Energy & Support Services	No
174	North Upper Egypt Development & Agricultural Production	NEDA	2009-2022	Food, Beverages and Tobacco	No
175	National Housing for Professional Syndicates	NHPS	2009-2022	Real Estate	Yes
176	Nozha International Hospital	NINH	2009-2022	Health Care & Pharmaceuticals	No

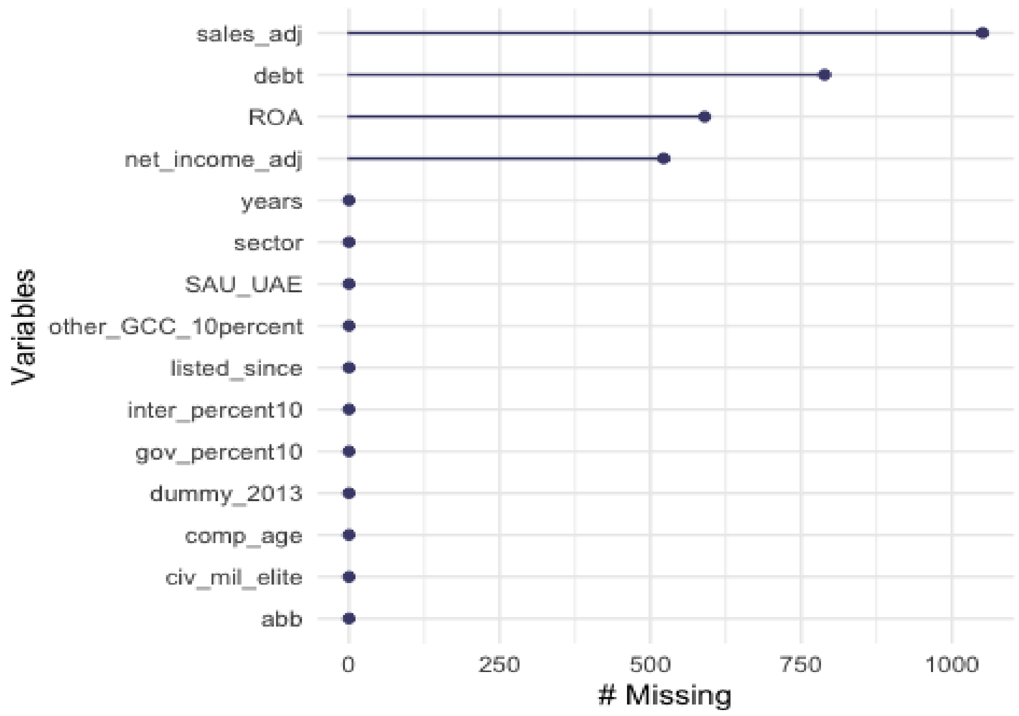
177	El-Nile Co. For Pharmaceuticals And Chemical Industries	NIPH	2009-2022	Health Care & Pharmaceuticals	Yes
178	North Africa Company For Real Estate Investment	NOAF	2012-2022	Real Estate	No
179	National Real Estate Bank For Development	NRPD	2009-2022	Contracting & Construction Engineering	No
180	El Ebour Real Estate Investment	OBRI	2009-2022	Real Estate	No
181	Six Of October Development & Investment (Sodic)	OCDI	2009-2022	Real Estate	No
182	October Pharma	OCPH	2009-2022	Health Care & Pharmaceuticals	Yes
183	Odin Investment	ODIN	2009-2022	Non-bank financial services	No
184	Orascom Financial Holding SAE	OFH	2021-2022	Non-bank financial services	No
185	Orascom Investment Holding	OIH	2009-2022	Non-bank financial services	No
186	Obour Land For Food Industries	OLFI	2009-2022	Food, Beverages and Tobacco	No
187	Orascom Development Holding AG	ORHD	2009-2022	Real Estate	No
188	Oriental Weavers Carpet	ORWE	2009-2022	Textile & Durables	Yes
189	Paint & Chemicals Industries	PACH	2009-2022	Basic Resources	Yes
190	Egyptian International Pharmaceuticals Industries	PHAR	2009-2022	Health Care & Pharmaceuticals	Yes
191	Palm Hills Development Company	PHDC	2009-2022	Real Estate	No
192	Pyramisa Hotels and Resorts	PHTV	2009-2022	Travel & Leisure	No
193	Cairo Poultry	POUL	2009-2022	Food, Beverages and Tobacco	No
194	Ceramic & Porcelain	PRCL	2009-2022	Building Materials	Yes
195	Prime Holding	PRMH	2009-2022	Non-bank financial services	No
196	Port Said Agricultural Development and Construction	PSAD	2009-2022	Industrial Goods , Services and Automobiles	No
197	Pharaoh Tech For Control And Communication Systems	PTCC	2012-2022	Industrial Goods , Services and Automobiles	No
198	Qatar National Bank Al-ahly	QNBA	2009-2022	Banks	No
199	Raya Contact Center	RACC	2017-2022	IT , Media & Communication Services	No
200	General Company for Paper Industry Rakta	RAKT	2009-2022	Paper & Packaging	Yes
201	Raya Holding Company for Technology and Telecommunication	RAYA	2009-2022	Software & Services	No
202	Reacap Financial Investments	REAC	2009-2022	Real Estate	No

203	Tenth Of Ramadan Pharmaceutical Industries	RMDA	2019-2022	Health Care & Pharmaceuticals	No
204	Rowad Misr Tourism Investment	RMTV	2009-2022	Travel & Leisure	Yes
205	Rowad Tourism (Al Rowad)	ROTO	2009-2022	Travel & Leisure	Yes
206	Arab Real Estate Investment Co.	RREI	2012-2022	Real Estate	Yes
207	Remco For Touristic Villages Construction	RTVC	2009-2022	Travel & Leisure	No
208	Rubex International For Plastic And Acrylic Manufacturing	RUBX	2009-2022	Building Materials	No
209	Societe Arabe Internationale De Banque	SAIB	2009-2022	Banks	Yes
210	Al Baraka Bank Egypt	SAUD	2009-2022	Banks	Yes
211	Sinai Cement	SCEM	2009-2022	Building Materials	Yes
212	South Cairo & Giza Mills & Bakeries	SCFM	2009-2022	Food, Beverages and Tobacco	Yes
213	Sues Canal Company For Technology Settling	SCTS	2009-2022	Education Services	Yes
214	Sharm Dreams Co For Tourism Investment	SDTI	2009-2022	Travel & Leisure	Yes
215	Saudi Egyptian Investment & Finance	SEIG	2009-2022	Non-bank financial services	Yes
216	Sabaa International Company For Pharmaceutical And Chemical	SIPC	2013-2022	Health Care & Pharmaceuticals	No
217	Sidi Kerir Petrochemicals	SKPC	2009-2022	Basic Resources	Yes
218	Samad Misr EGYFERT	SMFR	2009-2022	Basic Resources	No
219	Shorouk for Modern Printing and Packaging	SMPP	2009-2022	Industrial Goods , Services and Automobiles	No
220	Sharkia National Company for Food Security	SNFC	2009-2022	Food, Beverages and Tobacco	Yes
221	El Shams Pyramids For Hotels & Touristic Projects	SPHT	2009-2022	Travel & Leisure	Yes
222	Alexandria Spinning & Weaving (SPINALEX)	SPIN	2009-2022	Textile & Durables	Yes
223	Speed Medical SAE	SPMD	2019-2022	Health Care & Pharmaceuticals	No
224	Suez Cement	SUCE	2009-2021	Building Materials	Yes
225	Delta Sugar	SUGR	2009-2022	Food, Beverages and Tobacco	Yes
226	South Valley Cement	SVCE	2009-2022	Building Materials	No
227	El Sewedy Electric Company	SWDY	2009-2022	Industrial Goods , Services and Automobiles	No
228	Taaleem Management Services SAE	TALM	2021-2022	Consumer Durables & Services	No

229	Tanmiya for Real Estate Investment	TANM	2021-2022	Materials - Non-Chemicals	No
230	TMG Holding	TMGH	2009-2022	Real Estate	No
231	Tourah Cement	TORA	2009-2022	Building Materials	Yes
232	Thiqah for Business Administration and Development SAE	TRST	2013-2022	Non-bank financial services	No
233	Trans Oceans Tours	TRTO	2009-2022	Travel & Leisure	No
234	United Arab Stevedoring	UASG	2009-2022	Shipping & Transportation Services	Yes
235	Upper Egypt Flour Mills	UEFM	2009-2022	Food, Beverages and Tobacco	Yes
236	El Saeed Contracting and Real Estate Investment	UEGC	2009-2022	Real Estate	No
237	Univert Food Industries	UNFO	2013-2022	Food, Beverages and Tobacco	No
238	Universal Company for Packaging Materials and Paper	UNIP	2009-2022	Paper & Packaging	No
239	United Housing & Development	UNIT	2009-2022	Real Estate	Yes
240	Union Pharmacist Company For Medical Services	UPMS	2018-2022	Health Care & Pharmaceuticals	No
241	Utopia Real Estate Investment and Tourism	UTOP	2009-2022	Real Estate	No
242	Vertika	VERT	2009-2022	Trade & Distributors	No
243	Vodafone Egypt	VODE	2009-2022	Telecom Services	Yes
244	Middle & West Delta Flour Mills	WCDF	2009-2022	Food, Beverages and Tobacco	Yes
245	Wadi Kom Ombo for Land Reclamation	WKOL	2009-2022	Contracting & Construction Engineering	Yes
246	Extracted Oils & Derivatives	ZEOT	2009-2022	Food, Beverages and Tobacco	Yes
247	Zahraa Maadi Investment & Development	ZMID	2009-2022	Real Estate	Yes

B. MULTIPLE IMPUTATION OF MISSING DATA

The author utilized multiple imputation techniques in this study, leveraging the MICE package in R software to handle missing data. The Classification and Regression Trees (CART) algorithm is the primary method used for imputation. Before conducting the multiple imputations, I explored the extent of missingness in the data by employing a variety of exploratory methods. The figure below, which is produced with the assistance of the Naniar package in R, indicates the number of missing observations in each variable subsumed under the dataset. The figure indicates that four of the variables measuring some financial performance and indebtedness (Sales, debt/equity ratio, ROA, net income) of the firms listed in Egypt's Stock Exchange contain a substantial number of missing observations. The analysis for understanding the proportion of missingness in each of these variables reveals that the rate of missingness is considerably high (Net income: 17%; ROA:19%, Debt-Equity Ratio: 25%; and Sales: 34%), and imputations should be necessary in order to prevent the bias resulting from the exclusion of these observations from the regression models unless the root of the missingness of these cases are not completely at random. However, there are some factors that raised reasonable suspicion that the missingness in this data is not completely random. Some observed companies in the dataset may have failed to report statistics related to their operations due to certain observed and unobserved factors. To illustrate, the firms that hold substantial Egyptian government ownership are less likely to report ROA and net income statistics in comparison to firms that are not invested by the Egyptian government. Additionally, other unobserved factors are also likely to influence the missingness in the data. In order to test the missingness completely at random (MCAR), the study applied the MCAR test available in the MICE library. The null hypothesis is observed missingness is completely at random. The test rejects this null hypothesis, suggesting the presence of systematic observed and unobserved factors in the emergence of the missingness in the cases. Hence, the author decided to follow multiple imputation procedures to address the missingness problem in the dataset.

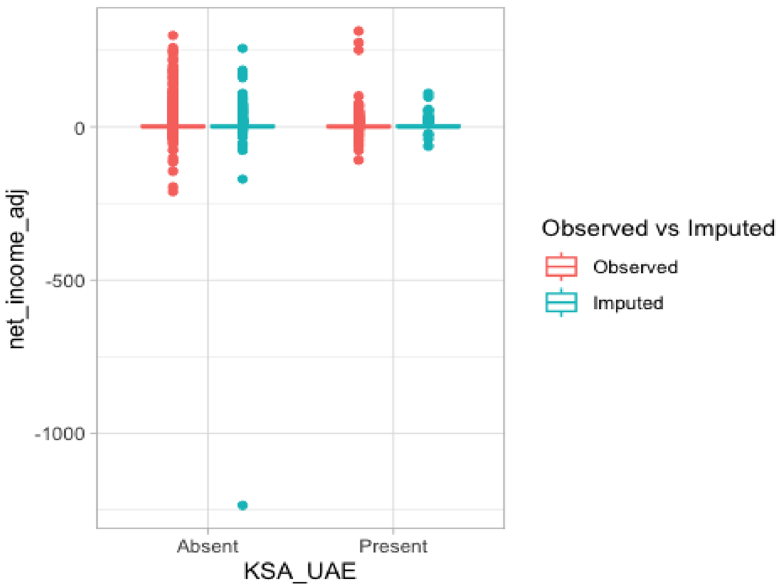


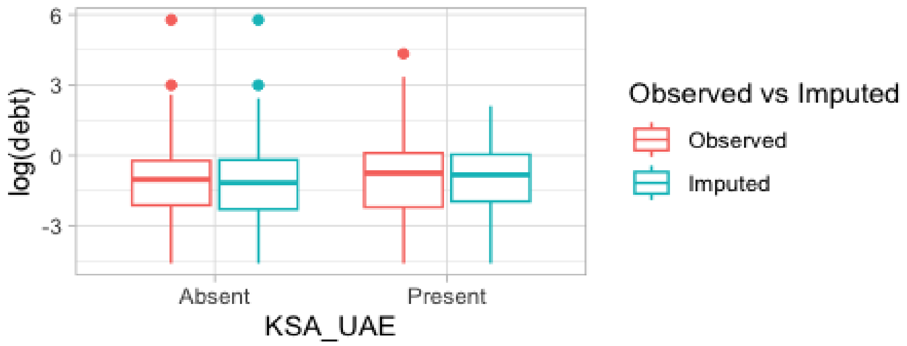
Furthermore, failing to impute the missing cases in the four variables or dropping them from the analysis may lead to a substantial loss of data. As can be seen in the table below, the analysis for the proportion of the complete cases among all cases indicates that approximately 43% of observations (the firm i observed in time t) have at least one missing case. This suggests that imputing the missing cases would save a great proportion of the data when running the regression models in the explanatory data analysis section.

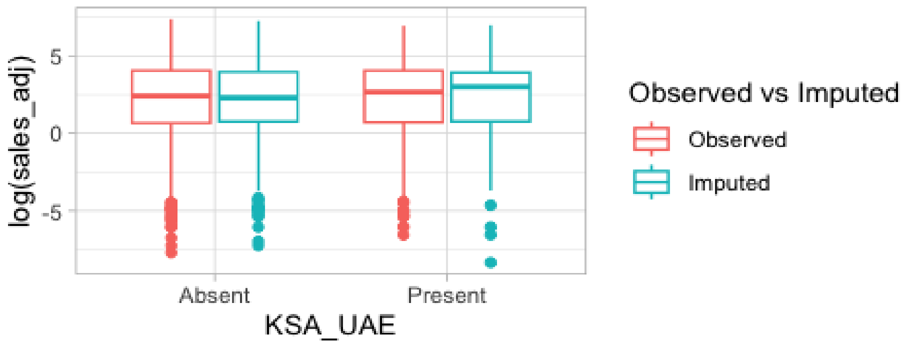
Proportion of complete cases in all cases:

FALSE	TRUE
43.5%	56.4%

Before initiating the multiple imputations on the data using the MICE library, only variables that will be used in the multiple imputations are kept in the dataset. Then, the dataset is transformed from long to wide format. Classification and Regression Trees (CART) are employed as the imputation algorithm for multiple imputations, and the number of maximum iterations is selected as 5. After the process, the postimputation analysis indicates that imputation significantly reduced the number of missingness in the cases. The complete case analysis shows that although approximately 43% of the observations include at least one missing case and would be excluded from the regression analysis, only 7% of the observations contain any missing case after imputations. That suggests applying multiple imputations in the dataset would save a significant amount of data in the analyses and would be conducive to ameliorating the bias resulting from their exclusion from the analyses. Additionally, some diagnosis tests for multiple imputations are conducted to assess the quality and validity of the imputed data. The box plots below indicate the distribution of observed and imputed values for net income, debt/equity ratio, and sales variables grouped by the presence of Saudi and Emirati investment in the observed company (KSA_UAE), which is our main dependent variable in regression models. The figures reveal that the imputed values for these variables seem consistent with the originally observed values. This suggests that the imputation model successfully captures the prevailing data distribution, and the data should be suitable for further explanatory analysis strategies.




6
3
0
-3
log(debt)
Absent
Present
KSA_UAE
Observed vs Imputed
Observed
Imputed


5
0
-5
log(sales_adj)
Absent
Present
KSA_UAE
Observed vs Imputed
Observed
Imputed

C. NETWORK ANALYSIS USING IGRAPH LIBRARY IN R

In my research, I employed the igraph library along with R software to chart the network of relationships among Saudi and Emirati investors, as well as their connections with other local investors. The igraph library is highly effective for both network analysis and the visualization of network objects. The subsequent code is utilized for importing the required libraries.

```
library(tidyverse)
library(igraph)
library(readxl)
```

The provided code snippet below is intended to import data into the R environment and then create a network object, named "n". This network object is constructed using data that consists of pairs of vertices, where the first column represents the investor's name and the second column indicates the name of the Egyptian firm to which the investor is connected. Additionally, the data includes details about the investors' affiliations, such as Saudi and Emirati, Egyptian government, politically connected domestic investors, and other international entities.

```
d1 = read_excel("/Users/macbookair/Yandex.Disk.localized/METU PHD/T
EZ/EGX_elite_SAU_network.xlsx")

d2= d1 %>% select(name, company)
vertices = as.data.frame(unique(c(unique(d2$name), unique(d2$compan
y))))
colnames(vertices) = "vertices"

vertices = vertices %>% left_join(d1 %>% select(name, affiliation),
by= c("vertices" = "name"))
vertices = vertices[-which(duplicated(vertices)), ]
nrow(vertices)
vertices = vertices[-which(duplicated(vertices$vertices)), ]

n = graph_from_data_frame(d = d2, vertices = vertices, directed = T
RUE)
```

The igraph library includes specific functions that are designed for analyzing network objects. Among these functions, there are tools for counting both the number of edges and the number of vertices within a given network object. These functions provide a straightforward way to quantify the size and complexity of the network.

```
gsize(n)
## [1] 288
gorder(n)
## [1] 283
```

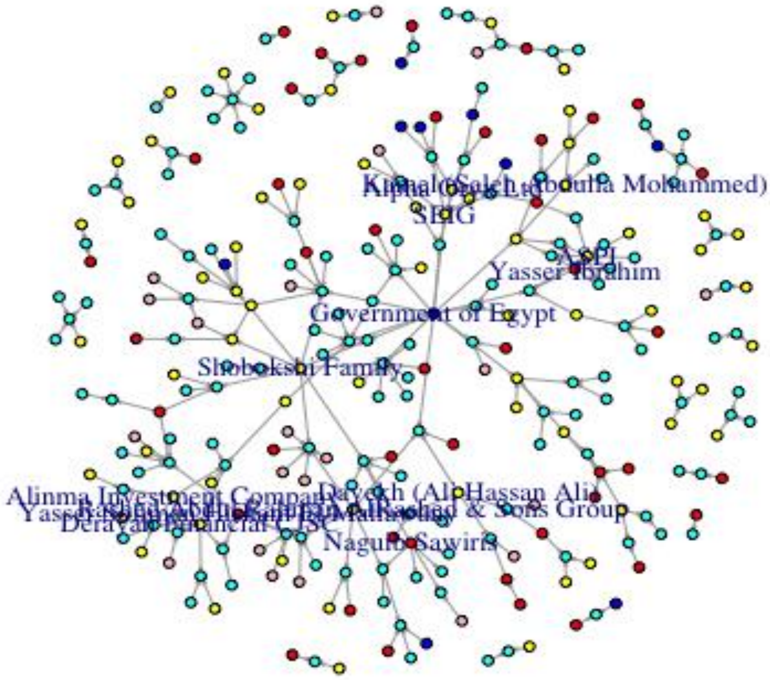
In the network object, vertices are categorized based on their 'affiliation' attribute, such as 'Saudi Arabia-UAE', 'politically connected', 'Egyptian government', 'other international investor', etc. These vertices are assigned distinct colors to visually differentiate them according to their respective affiliations.

```
V(n)$color = case_when(V(n)$affiliation == "GOV" ~ "blue",
                       V(n)$affiliation == "SAU" | V(n)$affiliation
== "UAE" ~ "yellow",
                       V(n)$affiliation == "elite" ~ "red",
                       is.na(V(n)$affiliation) ~ "cyan",
                       V(n)$affiliation =="INT" ~ "pink")

V(n)$degree = degree(n, mode = "out")
```

The code snippet provided below is employed for delineating the connections between vertices in the network object. In the resulting graph, the yellow nodes represent investors affiliated with Saudi Arabia and the UAE, the red nodes denote politically connected investors, the blue nodes symbolize firms invested in by the Egyptian government, and the pink nodes correspond to other international investors.

```
par(mfrow=c(1,1), mar=c(1,1,1,1))
plot(n, layout= layout_with_fr(n),
     vertex.size= 3,
     vertex.label = ifelse(V(n)$degree >3, V(n)$name, NA),
     vertex.label.cex= 0.8,
     edge.arrow.size= 0.1)
```

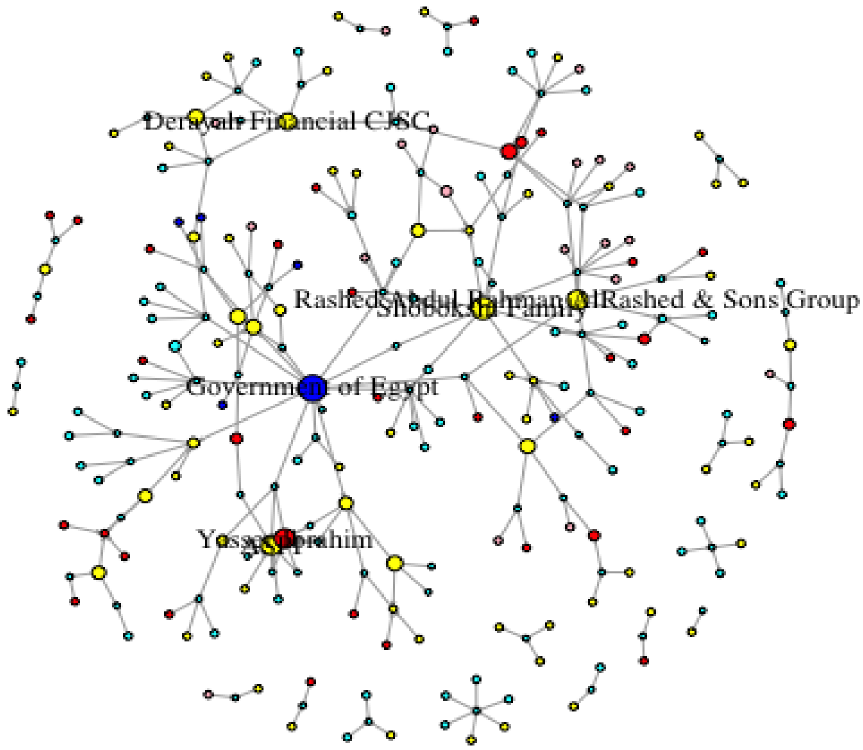


The network visualization displayed above contains the investment relationships involving Saudi and Emirati investors, alongside other international and domestic investors who are not connected with the Saudi and Emirati business agents. To more precisely examine the relationships of Saudi and Emirati investors, we can eliminate all vertices and edges unrelated to them, thereby concentrating solely on the connections and vertices associated with these Saudi and Emirati investors. The code snippet that follows is designed to generate a subgraph specifically tailored to Saudi and Emirati investors, effectively excluding all other nodes and edges from the main network object.

```
yellow_nodes <- V(n)[which(V(n)$color == "yellow")]
yellow_subgraph <- subgraph(n,
                              vids = unique(names(unlist(ego(n, order
= 2, nodes = yellow_nodes)))))
V(yellow_subgraph)$degree = degree(yellow_subgraph, mode = "out")
labels_yellow = ifelse(V(yellow_subgraph)$degree > 4, V(yellow_subg
raph)$name, NA)


par(mfrow= c(1,1), mar= c(0,0,0,0))
plot(yellow_subgraph,
```

```
     vertex.label= labels_yellow,
     edge.arrow.size= 0.1,
     vertex.size= sqrt(V(yellow_subgraph)$degree)*2,
     layout = layout_with_fr(yellow_subgraph),
     vertex.label.cex= 0.8,
     vertex.label.color= "black")
```



The code provided offers insights into the prevalence of politically connected investors within both the comprehensive initial network object and the more focused subgraph, which exclusively encompasses the connections of Saudi and Emirati investors. It demonstrates that out of the 43 politically connected investors identified in the initial network, 33 are also present in the Saudi and Emirati investors' subgraph. These figures suggest a significant presence of politically connected individuals within the investment networks of Saudi and Emirati investors in the Egyptian stock market.

```
sum(V(n)$color == "red")

## [1] 43

sum(V(yellow_subgraph)$color == "red")

## [1] 33
```

To analyze whether there is a notable concentration of politically connected individuals within the investment network, particularly among Saudi and Emirati investors, we can utilize a randomization method provided by the igraph library. The “erdos.renyi.game” function in this library enables us to generate random network objects that mirror key characteristics of our original network ‘n’, such as edge density, and the counts of edges and vertices. The given code snippet executes this process by first creating random network objects that align with the structure of ‘n’. It then randomly assigns affiliations to these networks. Following this, for each generated network, the code identifies a subgraph composed of yellow nodes, representing Saudi and Emirati investors. Within this subgraph, it counts the nodes colored red, indicative of politically connected investors. This procedure is repeated 1,000 times, and in each iteration, the count of red nodes within the subgraph is tallied and recorded in a list named “ls”. This approach allows for a comparative analysis to determine if the original network exhibits an unusual density of politically connected individuals among the specified investor groups.

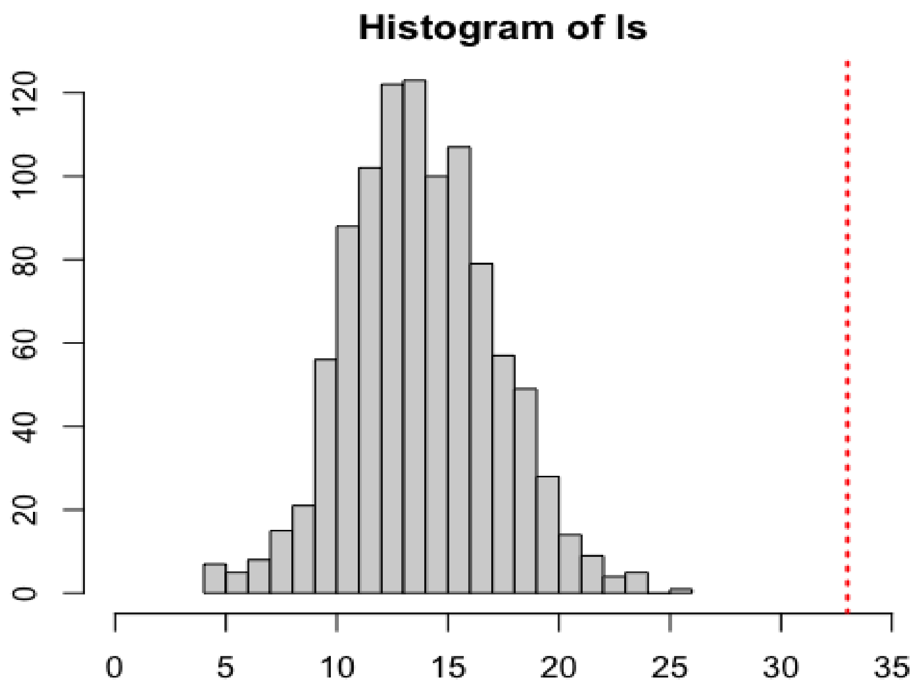
```
ls = c()
for(i in 1:1000){
  sim = erdos.renyi.game(gorder(n), edge_density(n), type = "gnp")
  V(sim)$color= sample(V(n)$color)
  yel  = V(sim)[which(V(sim)$color == "yellow")]
  yel_g= subgraph(sim,
                  vids = unique(unlist(ego(sim, order = 2, nodes =
yel))))

  ls= append(ls,sum(V(yel_g)$color == "red"))

}
```

The figure depicted below presents a histogram illustrating the distribution of counts of red nodes in each iterated random subgraph, as recorded in the list named “ls.” These red nodes symbolize politically connected investors. The histogram reveals that, across 1000 iterations, the frequency of red nodes tends to follow a normal distribution, with an average count close to 15 and a peak count near 25. In contrast, the dashed red line in the histogram indicates the actual observed count of red nodes, representing politically connected individuals, which is 33. This observed count significantly surpasses the histogram’s highest bin, implying that the likelihood of encountering such a high number of politically connected investors in these randomly iterated graphs is extremely low.

```
par(mar= c(2,2,2,2))
hist(ls, breaks = 20, xlim = c(0, 35))
abline(v= sum(V(yellow_subgraph)$color == "red"), col = "red",
       lty = 3,
       lwd = 2)
```



D. APPROVAL OF THE METU HUMAN SUBJECTS ETHICS COMMITTEE

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APPLIED ETHICS RESEARCH CENTER

ORTA DOĞU TEKNİK ÜNİVERSİTESİ
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18 OCAK 2024

Konu: Değerlendirme Sonucu

Gönderen: ODTÜ İnsan Araştırmaları Etik Kurulu (İAEK)

İlgi: İnsan Araştırmaları Etik Kurulu Başvurusu

Sayın Prof. Dr. Meliha Altunışık

Danışmanlığını yürüttüğünüz Ömer Naim Küçük'ün ***"Bölgesel güvenlik ile ilgili algılar doğrudan yatırımları nasıl etkiler: Suudi Arabistan ve Birleşik Arap Emirlikleri'nin Orta Doğu'daki yatırımlarına ilişkin bir vaka çalışması"*** başlıklı araştırmanız İnsan Araştırmaları Etik Kurulu tarafından uygun görülerek **0067-ODTUİAEK-2024** protokol numarası ile onaylanmıştır

Bilgilerinize saygılarımla sunarım.

[redacted]

Prof. Dr. Ş. Halil TURAN
Başkan

[redacted]

Prof.Dr. İ. Semih AKÇOMAK
Üye

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Dr. Öğretim Üyesi Müge GÜNDÜZ
Üye

E. CURRICULUM VITAE

ÖMER NAİM KÜÇÜK

EDUCATION

Degree	Institution	Year of Graduation
MS	Boğaziçi University - Political Science and International Relations	2019
BS	Boğaziçi University - Political Science and International Relations	2015

WORK EXPERIENCE

Year	Institution	Position
2016- (cont.)	Social Sciences University of Ankara	Research Assistant

FOREIGN LANGUAGES

English (Advanced)

PUBLICATIONS

Küçük, Ö. N., & Yücekaya, M. (2024). State responses to oil crisis in oil-dependent developing countries: South Korea and Turkey after the 1973 oil crisis. International Journal of Asian Studies, 21(1), 77-91.

RESEARCH AREAS

International Political Economy
International Politics
Politics of the Middle East
Turkish Foreign Policy
Foreign Policy Analysis

F. TURKISH SUMMARY / TÜRKÇE ÖZET

OTOKRASİYE YATIRIM: SUUDİ ARABİSTAN VE BAE'NİN SİSİ DÖNEMİNDE MISIR'A DOĞRUDAN YABANCI YATIRIM AKIŞLARI

Sovyetler Birliği'nin çöküşüyle birlikte Soğuk Savaş'ın sona ermesiyle birlikte bazı akademisyenler demokratikleşmenin önündeki bir engelin kalkacağını öngörmüşlerdir. Bu gelişmenin dünya çapında yeni bir demokrasi dalgasına zemin hazırlayacağını tahmin etmişlerdir. Ancak bazı ülkelerde demokratik rejimler otoriter sistemlere üstün gelse de demokrasinin genişlemesi doğrusal bir seyir izlemedi. Bazı ülkelerde demokratik geçiş girişimleri aniden sona ererek otoriterliğe geri dönüşle sonuçlanırken, bazı ülkelerde otoriter rejimler son derece sağlam olduklarını kanıtlamış ve hiçbir geçiş girişimi canlanmamıştır. Demokrasinin ortaya çıkışı son derece karmaşık bir olguydu ve çok sayıda faktöre bağlıydı. Ne modernleşme teorilerinin ekonomik koşulların iyileştirilmesine yaptığı vurgu ne de kurumsalcı ve kültürelci perspektif demokratikleşme için genelleştirilebilir ve kapsamlı bir açıklama sunmayı başarmıştır. Demokratikleşme tartışmasıyla ilgili olarak, bazı akademisyenler akademik çalışmaların sadece demokratik geçişi ve konsolidasyonu teşvik eden temel faktörlere odaklanmak yerine otoriter dirence katkıda bulunan faktörlere daha fazla önem vermesi gerektiğini öne sürmüştür. Bu bakış açısının ana ilkesi, demokratik geçişin otoriter rejimin bastırılmasına dayanabileceği ve otoriter istikrarın devamlılığını sağlayan faktörlerin demokrasiyi güçlendiren güçlerden önemli ölçüde farklı olabileceğidir. Böylece, otoriter rejimin ayakta kalmasının köklerini incelemek önemli bir akademik uğraş olarak kendini kanıtlamıştır.

Bu araştırma, Doğrudan Yabancı Yatırım (DYY) akışlarının otoriter iktidarların hayatta kalması üzerindeki etkisini inceleyerek otoriter rejimlerin istikrarının altında yatan faktörleri inceleyen akademik literatüre bir katkıda daha bulunmayı amaçlamaktadır. Son yıllarda Doğrudan Yabancı Yatırımlar, uluslararası ekonomik transferlerin önemli bir kaynağı olduğunu kanıtlamış. Doğrudan yatırım akımlarının altında yatan ekonomik belirleyicilerin ve yansımalarının yanı sıra uluslararası politik ekonomi (UPE) boyutunu ilgilendiren yönlerinin araştırılması için de önemli akademik incelemeler yapılmıştır. Bu çalışma, nispeten yeni olan bu finansal olgunun UPE çerçevesindeki rolünü araştırmakta ve siyaset bilimi araştırmaları çerçevesinde önemli bir konuya, otoriter rejimlerin dayanıklılığını ve istikrarını etkileyen faktörlere ışık tutmaktadır. Bu araştırma hedefiyle uyumlu olarak çalışma, Doğrudan Yabancı Yatırımların otoriter liderlerin iktidara tutunmasını sağlayan iç süreçlere katkısını ortaya koymakta ve uluslararası faktörlerin otoriter rejimlerdeki Doğrudan Yabancı Yatırımları çevreleyen politikalar üzerindeki önemli etkisini vurgulamaktadır. Şunu belirtmek gerekir ki, Doğrudan Yabancı Yatırımlar'ın Uluslararası Politik Ekonomi perspektifinden önemli siyasi sonuçlar doğuran tek finansal kaynak değildir. Saygıdeğer çalışmalar, ticari ilişkilerin, uluslararası sanayi politikalarının, ekonomik yaptırımların, dış yardımların ve finansal kredi akışının, devletler tarafından uluslararası arenada siyasi hedeflere ulaşmak için kullanılan önemli "ekonomik devletçilik" araçları olarak araçsallaştırıldığını göstermektedir. Özellikle, dış yardımın otoriter politikalardaki rolü önemli düzeyde bir akademik ilgi uyandırmıştır. Öte yandan, otoriter istikrar ve Doğrudan Yabancı Yatırım arasındaki bağlantı hala yeterince çalışılmamış bir konudur ve bu araştırma, otoriter rejimlerde Doğrudan Yabancı Yatırımların hayatta kalma politikasındaki rolünü anlamaya anlamlı bir katkı sunmaya çalışmaktadır.

Doğrudan Yabancı Yatırımlar, uluslararası politik ekonomide nispeten yeni bir olgudur ve politik sonuçlarının ortaya çıkarılması hala önemli akademik incelemeler gerektirmektedir. Tezdeki araştırma sorusuyla ilgili olarak, ülkeler arasındaki bir başka finansal akış türü olan dış yardım akışlarının alıcı ülkelerdeki iktidarların siyasi hayatta kalması üzerindeki etkisi, belirli öncül koşullar, müdahale eden faktörler ve potansiyel alternatif hipotezler vurgulanarak kapsamlı bir şekilde araştırılmış olsa da, doğrudan yabancı yatırım girişleri ile ev sahibi ülkelerdeki siyasi hayatta kalma arasındaki bağlantının çözülmesi hala önemli araştırmalar gerektirmektedir. Bununla birlikte, bu akademik çaba, Doğrudan Yabancı Yatırımların doğası gereği çok sayıda özel ve kamu aktörüne bağlı olması nedeniyle büyük ölçüde zorlayıcı olmuştur. Genellikle donör ve alıcı taraftaki sınırlı sayıda kamu aktörünün işbirliğini içeren dış yardımın akışlarının aksine, Doğrudan Yabancı Yatırımlar ev sahibi ve ev sahibi ülkelerden çok sayıda özel sektör aktörünün ticari etkileşimlerini kapsayabilir. Dolayısıyla, tahsisine bağlı siyasi imtiyazlar nedeniyle siyasi motivasyonların daha açık olduğu dış yardımların aksine, Doğrudan Yabancı Yatırımların kendine özgü çok yönlü ve kâr odaklı doğası, ev sahibi devletlerin Doğrudan Yabancı Yatırımların belirli dış politika hedeflerine ulaşmak için araçsallaştırmaya yönelik siyasi motivasyonlarını tanımlamayı zorlaştırmaktadır. Doğrudan yabancı yatırımın bu karmaşık yönüyle uyumlu olarak, Doğrudan Yabancı Yatırımlar ve siyasi rejimin ayakta kalması arasındaki ilişkiyi araştıran mevcut çalışmalar genellikle ev sahibi ülkelerin siyasi motivasyonlarını göz ardı etmektedir. Bunun yerine, ev sahibi ülkelerdeki iktidarların siyasi hayatta kalma beklentilerini artırmak için yatırım girişlerini nasıl kullandıklarını açıklamak için ağırlıklı olarak Doğrudan Yabancı Yatırım siyasetinin iç politikayı ilgilendiren odaklanmakta ve uluslararası faktörlerin önemini ihmal etmektedirler. Bu bağlamda, bu çalışma, incelenen ilişkide ev sahibi ülkelerin siyasi motivasyonlarının önemini ortaya koyarak ve bunların önemli müdahale etkisini göstererek mevcut araştırma literatürüne anlamlı bir katkı sağlamaktadır.

Araştırma özellikle, Doğrudan Yabancı Yatırımların ne ölçüde ve hangi koşullar altında ev sahibi ülkelerdeki otoriter iktidarlar tarafından iktidarda kalmak için kullanılabilecek önemli bir finansal kaynak olarak işlev görebileceğini ortaya koymaktadır. Çalışma özellikle Doğrudan Yabancı Yatırımların otoriter istikrara katkısıyla ilgili nedensel süreçleri araştırmakta ve yabancı yatırımın ev sahibi ülkelerdeki otoriterlerin iktidarda kalması üzerindeki etkisini yöneten mekanizmalara etkili bir şekilde müdahale edebilecek öncül koşulları ve altta yatan uluslararası güçleri vurgulamaktadır. Bu tez çalışması açısından, uluslararası güçlerin Doğrudan Yabancı Yatırımlar ve otoriter rejimler arasındaki bağlantıya aracılık etmedeki rolünü anlamak çok önemlidir. Doğrudan Yabancı Yatırımlar sadece otoriter liderlerin yönetimlerini sağlamlaştırmak için yurt içinde elde ettikleri ve kullandıkları bir vergilendirilmemiş gelir olarak yorumlanamaz. Bu, hem Doğrudan Yabancı Yatırımları ekonomik kaynakları devletin gücünün ayrılmaz bir parçası olarak gören devlet aktörlerini hem de ekonomik motivasyonları bazen devlet aktörlerinin siyasi çıkarlarıyla çelişen özel ekonomik aktörleri bir araya getiren uluslararası bir finansal akıştır. Doğrudan Yabancı Yatırımların bu çok yönlü ve tartışmalı doğası, kaynak ülkelerin siyasi saiklerini ve özel yatırımcıların otoriter rejimlerde hayatta kalma siyaseti üzerindeki etkisini ortaya çıkaran ekonomik saiklerini hesaba katan kapsamlı bir çerçeve gerektirmektedir.

Bu tezin temel argümanı, otokratik rejimlerin devamlılığında önemli bir faktör olarak finansın kritik rolünü vurgulayan önceki çalışmalarla uyumludur. Araştırma, Doğrudan Yabancı Yatırım girişlerinin otoriter rejimleri iki önemli yolla destekleyebileceğini iddia etmektedir. Birincisi, Doğrudan Yabancı Yatırım girişleri ev sahibi ülkelerde bütçeyi destekleyici bir etki yaratarak otoriter iktidarların ellerinde mali kaynak biriktirmelerini sağlayabilir. Otoriter rejimler de elde ettikleri bu kaynakları, iktidarda kalma ihtimallerini güçlendirecek mekanizmalara yatırım yapmak için kullanabilirler. Önemli çalışmalar, devletin baskı ve zor aygıtlarını güçlendirmenin ve liderin iktidarını destekleyen siyasi elitlerin desteğini sürdürmenin, otoriter rejimlerin şiddetle hüküm sürdüğü ülkelerde otokratların kullandığı etkili stratejiler olduğunu kanıtladığına işaret etmektedir. Çalışma, bütçe destekleme etkisine yol açan öncül faktörlerden birinin, ev sahibi hükümetler tarafından halihazırda sahip olunan veya büyük ölçüde yatırım yapılan yerel firmalara Doğrudan Yabancı Yatırım girişleri olduğunu vurgulamaktadır. Başka bir deyişle, ev sahibi hükümetlerle mülkiyet bağları olan yerel ticari girişimlere yapılan yabancı yatırımlar, siyasi iktidarların Doğrudan Yabancı Yatırım girişlerinden doğrudan mali fayda sağlamaları için uygun bir kanal oluşturabilmektedir.

İkinci olarak, çalışma Doğrudan Yabancı Yatırımların kooptasyonu mümkün kılan dinamikleri harekete geçirerek otokratların hayatta kalmasına yardımcı olabileceğini öne sürmektedir. Bu teorik önerme, otokratik rejimlerdeki siyasi liderlerin bile tek başlarına hükümet etmedikleri fikri üzerine inşa edilmiştir. Daha ziyade, liderler, liderlerin güç alanlarında kritik bir rol oynayan siyasi elitlerin sadakatini sağlamalıdır. Otokratik liderler genellikle demokratik rejimlerdeki liderlere kıyasla daha küçük bir seçmen kitlesine dayanır, ancak bu nispeten az sayıdaki kilit elitler rejimin bekası üzerinde önemli bir etkiye sahiptir. Otokratlar açısından bakıldığında, mali kaynakların akıllıca kullanılması siyasi bekaları için büyük önem taşımaktadır. İhtiyatlı otoriter liderler, başka bir siyasi rakip lehine siyasi rejimden ayrılmalarını önlemek için siyasi elitlere yeterli miktarda mali kaynak tahsis edilmesini kolaylaştırmayı ihmal etmezler. Bu nedenle otoriter liderler, kazanan koalisyonlarına özel kaynakları dikkatlice dağıtarak, otoriter yönetimlerde siyasi elitin ve iktidar sahiplerinin çıkarlarını koruyan bir patronaj ağı oluştururlar. Bu araştırma, Doğrudan Yabancı Yatırımların ev sahibi ülkelerdeki bu patronaj ağını güçlendiren bir finansal kaynak olarak işlev görebileceğini savunmaktadır.

Buna ek olarak, Doğrudan Yabancı Yatırımların bir özelliği de, siyasi elitlerin, siyasi iktidarın yakınlığına bakılmaksızın, yabancı yatırımların doğrudan faydalanıcıları olabilmeleridir. Siyasi elit, Doğrudan Yabancı Yatırımları halihazırda siyasi elitin sahibi ya da ortağı olduğu yerel firmalara tahsis ederek yabancı yatırım girişlerinden faydalanabilir. Siyasi liderlerin bu işlemdeki rolü doğrudan fon tahsis etmek değildir; daha ziyade liderler, siyasi tabanlarının yatırım akışlarından faydalanmasını kolaylaştırmak için belirli politikalar benimseyebilirler. Bu bağlamda Doğrudan Yabancı Yatırım, dolaylı bir özel mal sağlama biçimi olarak işlev görerek siyasi elitlerin siyasi rejime bağlılığını destekleyebilir. Siyasi elit açısından bakıldığında, yatırım girişleri rejimle kurulan siyasi bağlantılara dayandığından, görevdeki kişinin görevden ayrılması, belirsiz bir halefiyet sürecinin ardından Doğrudan Yabancı Yatırım girişlerine erişimi kaybetme riskini beraberinde getirecektir. Dolayısıyla, Doğrudan Yabancı Yatırımların otoriter rejimin ayakta kalmasına katkısının araçlarından biri, bu kooptasyon-etkinleştirme mekanizmasını harekete geçirmek ve Doğrudan Yabancı Yatırım girişlerinde kooptasyon-etkinleştirme dinamiklerini harekete geçirmenin başlıca öncüllerinden birisi olan, siyasi bağlantıları olan kişilerin sahip olduğu ya da ortak olduğu yerel firmalara Doğrudan Yabancı Yatırım girişi sağlamak olacaktır.

Sonuç olarak, bütçe destekleyici ve elitlerle kooptasyonu mümkün kılan dinamikler, Doğrudan Yabancı Yatırımların ev sahibi ülkelerdeki otoriter istikrara nasıl katkıda bulunabileceği konusunda fikir verebilir. Bununla birlikte çalışma, sunulan çerçevenin uluslararası güçlerin otoriter ülkelerdeki Doğrudan Yabancı Yatırım siyasetini doğuran süreçlerle etkileşimini tespit etmek için yeterli olmadığını ortaya koymaktadır. Çalışma, ev sahibi ülkelerin Doğrudan Yabancı Yatırım akışlarını ev sahibi ülkelerdeki otoriter iktidarların siyasi hayatta kalmalarını desteklemek için araçsallaştırma yönündeki siyasi motivasyonlarının, Doğrudan Yabancı Yatırımların otoriter istikrar üzerindeki hem bütçe destekleyici hem de işbirliği sağlayıcı etkilerini konsolide ederek önemli bir aracıl faktör olabileceğini öne sürmektedir. Bu perspektifte, ev sahibi devletler, belirli dış politika hedeflerine ulaşmak için ikili yatırım ilişkilerinden yararlanma konusunda etkili ve yetkin aktörler olabilirler. Başka bir deyişle, devletler siyasi ve ekonomik kaynaklarını, ev sahibi ülkelerdeki otoriter rejimleri desteklemek için Doğrudan Yabancı Yatırım akışlarını araçsallaştırmayı amaçlayan siyasi bir çerçeveye yerleştirebilirler. Ekonomik kaynakları harekete geçirmenin somut yollarından biri, ev sahibi ülkedeki kamu iktisadi teşebbüslerinin ve egemen varlık fonlarının yetkilendirilmesi ile gösterilebilir. Ev sahibi ülkelerin bazı siyasi yöneticileri, bu ticari kuruluşların ekonomik yönetimi üzerinde önemli bir etkiye sahip olabilir ve bu da onlara siyasi hedeflerine ulaşmak için bu girişimlerin ekonomik gücünden yararlanmada stratejik bir avantaj sağlar. Bu anlamda, kamu iktisadi teşebbüsleri ve varlık fonları aracılığıyla yönlendirilen bu yatırımlar, ev sahibi ülkelerdeki otoriter istikrarı güçlendiren süreçleri destekleyebilir.

Devletin ekonomik kaynaklarının seferber edilmesinin yanı sıra, devletler Doğrudan Yabancı Yatarımları ev sahibi ülkelerde siyasi bir araç olarak kullanmak için siyasi kaynaklarını da kullanabilirler. Bu politikanın en önemli yansımalarından biri, ekonomik motivasyona sahip özel yatırımcıları ev sahibi ülkede yatırım yapmaya veya yatırımlarını sürdürmeye ikna etmektir. Bu bağlamda, devletler bu özel firmaların ekonomik güdülerini, ev sahibi ülke liderlerinin ev sahibi ülkelerdeki siyasi iktidarları destekleme güdülerinin neden olduğu siyasi bir çerçeveye entegre edebilirler. Böylece, ev sahibi devletler, özel yatırımcıları ev sahibi ülkelere Doğrudan Yabancı Yatırım girişlerini siyasallaştıran dış politika çerçevesine entegre etmek için teşvikler sunmanın yanı sıra özel yatırımcıların ekonomik ve siyasi şikayetlerini hafifletmeyi amaçlayan politikalar geliştirebilir.

Tez, formüle edilen argümanları araştırmak için Suudi Arabistan ve Birleşik Arap Emirlikleri (BAE) kaynaklı Mısır'a yapılan yabancı yatırımı bir vaka çalışması olarak kullanmaktadır. İncelenen kaynak ülkeler olarak Suudi Arabistan ve BAE'nin, hedef ülke olarak da Mısır'ın seçilmesinin ardındaki amaç iki şekilde açıklanabilir.

Birincisi, Mısır jeopolitik ve ekonomik öneminin yanı sıra Arap dünyasındaki kültürel önceliği nedeniyle Orta Doğu ve Kuzey Afrika bölgesindeki önemli ülkelerden biridir. Bununla birlikte, bu çalışmayı ilgilendiren bir özelliği, Mısır'daki otoriterliğin, ülkede kısa süreli demokratikleşme girişimleri yaşanmış olsa da, son derece dirençli olmasıdır. İkinci olarak, bu çalışma Suudi Arabistan ve BAE'yi sadece petrol zengini Körfez İşbirliği Konseyi (KİK) ülkeleri arasındaki siyasi önemleri nedeniyle değil, aynı zamanda uluslararası ekonomi politiğe olan ilgileri nedeniyle de kaynak ülkeler olarak incelemektedir. Bu ülkeler devlete ait ekonomik araçları belirli jeoekonomik saiklerle kullanmaya artan bir ilgi göstermişlerdir. Bu ekonomik araçların araçsallaştırılmasının bariz göstergelerinden biri, bu ülkelerin kamu iktisadi teşebbüsleri ve egemen varlık fonlarının iştirakleri aracılığıyla tahsis edilen devlet öncülüğündeki yabancı yatırımlara olan bağlılıklarıdır. Babic ve diğerleri tarafından yürütülen kapsamlı bir çalışmada belirtildiği üzere, bu ülkelerin devlet tarafından yönlendirilen yatırımlarının temel bir özelliği, yatırım yaptıkları yabancı işletmelerde çoğunluk mülkiyeti elde etmeye yönelik stratejik yaklaşımlarıdır ve bu da denizaşırı yatırımlarında jeoekonomik ve jeopolitik niyetlerin bir karışımına işaret etmektedir. Dahası, Suudi Arabistan ve BAE yöneticileri devlete bağlı bu ticari girişimlerin yönetiminde münhasır özerkliğe sahiptir ve bu da Suudi Arabistan ve BAE yöneticilerine bu ekonomik kuruluşların mali kaynaklarını kullanarak yerel ve uluslararası alanda belirli siyasi hedeflere ulaşmak için muazzam fırsatlar sunmaktadır.

Son olarak, Suudi Arabistan ve BAE'nin 2011 yılında patlak veren Arap Ayaklanmasından sonra gelişen bölgesel güvenlik kaygıları, darbe sonrası Mısır'da rejimin istikrarını desteklemeye yönelik bir politika mutabakatı ile sonuçlandı. Suudi Arabistan ve Birleşik Arap Emirlikleri'nin Mısır'a yönelik dış politikalarındaki bu kritik kırılma noktası, bu menşe ülkelerin siyasi saiklerinin Mısır'daki otoriter istikrarı sürdüren dinamikleri onaylamada önemli bir müdahale gücü olarak işlev görüp görmediğini incelemek için uygun bir zemin sağlamaktadır. Özetle, bir yandan Suudi Arabistan ve Birleşik Arap Emirlikleri yetkililerinin yabancı yatırım çıkışlarını jeoekonomik ve jeopolitik bir araç olarak kullanma eğilimleri, diğer yandan da bu ülkelerin Arap Ayaklanmaları sonrasında ortaya çıkan bölgesel güvenlik kaygıları ile bölgede rejim istikrarını sürdürmeye yönelik siyasi saikleri, Suudi ve Birleşik Arap

Emirlikleri'nin doğrudan yabancı yatırım çıkışlarını, bu ülkelerin yatırım akışlarının Mısır'daki otoriter yönetimin sürdürülmesine katkıda bulunup bulunmadığını incelemek için uygun bir vaka haline getirmektedir.

Formüle edilen hipotezleri incelemek için bu araştırma, hem nicel hem de nitel stratejilerden yararlanan karma bir yöntem yaklaşımı benimsemektedir. Çalışmanın nicel bölümü kapsamında araştırma, Mısır borsasında işlem gören firmaların hissedar yapısına ilişkin elle kodlanmış bir veri seti üzerinde analizler yürütmektedir. Verilerin panel özelliğini kullanan çalışma, hipotezleri öncelikle logit fixed-effects modellerinden yararlanarak test etmiştir. Modellerin çıktılarından çıkarılabilecek sonuçlardan biri, Suudi Arabistan ve Birleşik Arap Emirlikleri kökenli yatırımcılarının siyasi bağlantıları olan firmalara yatırım yapma olasılıklarının daha yüksek olduğudur. Bu sonuç, Suudi Arabistan ve Birleşik Arap Emirlikleri'nden gelen doğrudan yabancı yatırımların, kooptasyon-etkinleştirme dinamiklerini tetikleyerek ve böylece Mısır'daki patronaj ağını güçlendirerek Mısır'daki iktidarların hayatta kalmasına katkıda bulunmuş olabileceğini vurgulamaktadır. Ayrıca, panel regresyon analizinin yanı sıra, Suudi Arabistan ve Birleşik Arap Emirlikleri kökenli aktörlerinin yatırım yaptığı firmaların hissedar ilişkilerini haritalandıran ağ analizi, Suudi Arabistan ve Birleşik Arap Emirlikleri kökenli yatırımlarının büyük kısmının siyasi olarak bağlantılı firmalarda yoğunlaştığını göstermektedir. Ağ analizi ayrıca en etkili Suudi ve Birleşik Arap Emirlikleri aktörlerinin de siyasi bağlantıları olan aktörler olduğunu ve ağırlıklı olarak Suudi Arabistan ve Birleşik Arap Emirlikleri'nin yönetici ailelerini ya da bu ülkelerin önemli iş elitlerini temsil ettiklerini ortaya koymaktadır.

Suudi Arabistan ve Birleşik Arap Emirlikleri yatırımlarının 2013 öncesi ve sonrasında Mısır borsasındaki siyasi bağlantılı firmaları hedef alma eğilimini açıklayan logit fixed-effects modele dahil edilmesi daha sezgisel bilgiler sunmaktadır. Müslüman Kardeşler'e bağlı Mursi hükümetini deviren askeri darbe, Mısır'ın siyasi tarihinde kritik bir kırılma noktası teşkil etmektedir. Darbenin ardından Mısır'ın kısa süreli demokratik geçiş deneyimi askeri müdahaleyle aniden sona erdi. Suudi Arabistan ve BAE darbe sonrası cunta rejimini şiddetle desteklemiş ve hem askeri geçici hükümeti hem de askeri darbeyi yöneten Abdülfettah El-Sisi'nin cumhurbaşkanlığını finansal olarak desteklemiştir. Mısır'ın 2013'ten sonraki siyasi ortamında Suudi Arabistan ve Birleşik Arap Emirlikleri liderleri, Mısır rejimini ekonomik olarak ayakta tutmak için büyük mali kaynaklar kullanmanın yanı sıra siyasi desteklerini keserek Mısır'daki iktidarları destekleme motivasyonlarını açıkça gösterdiler. Dolayısıyla, bu konjonktür, bu ülkelerin Mısır'daki iktidarların siyasi bekasını desteklemek için artan siyasi motivasyonlarının, Doğrudan Yabancı Yatırımların otoriter istikrara katkısını, kooptasyon-etkinleştirme ve bütçe-onaylama etkileri yoluyla etkileyen bir müdahale gücü olarak hizmet edip etmediğini test etmek için uygun bir fırsat sunmaktadır. Sonuç olarak, etkileşim terimlerinin yorumlanması, Suudi Arabistan ve Birleşik Arap Emirlikleri yatırımcılarının 2013'ten sonra siyasi olarak bağlantılı firmalara yatırım yapma olasılıklarının daha yüksek olduğunu göstermektedir. Bu durum, Suudi ve Birleşik Arap Emirlikleri Doğrudan Yabancı Yatırımların işbirliğini kolaylaştırıcı etkisinin, Mısır'daki siyasi rejimlerin istikrarını korumayı açıkça siyasi bir hedef olarak benimsedikleri dönemden sonra daha belirgin olacağı şeklinde yorumlanabilir. Bulgular, Doğrudan Yabancı Yatırımların kooptasyon-etkinleştirme mekanizmaları yoluyla otoriter dirence katkıda bulunabileceğini ve bu etkinin ev sahibi ülkelerdeki otoriter iktidarları desteklemek için ana ülkelerin siyasi güdülerine dayandığını ileri süren Hipotez 2'yi desteklemektedir.

Öte yandan, nicel analiz, Doğrudan Yabancı Yatırımların otoriter esneklik üzerindeki bütçe destekleyici etkisinin bir öncülünü araştıran Hipotez 1 için destek bulamamıştır. Modellerin çıktıları Suudi Arabistan ve Birleşik Arap Emirlikleri kökenli yatırımcılarının daha önce Mısır hükümeti tarafından sahip olunan veya ortak olunan firmalara yatırım yapma olasılığının düşük olduğunu göstermektedir. Aksine, istatistiksel modeller ve keşifsel veri analizi, Suudi Arabistan ve BAE menşeli yatırımcıların Mısır borsasında işlem gören devlete bağlı firmaları tercih etme eğilimlerinin negatif yönde olduğunu göstermekte ve bu bulgu çalışmanın teorik önermelerinden birine destek vermemektedir. Ancak nicel analiz, bu bulgunun tartışmalı doğasına ilişkin yalnızca geçici bir açıklama sunmaktadır. Araştırmanın nitel bölümü, sadece Suudi Arabistan ve BAE'nin portföy yatırımlarını değil, aynı zamanda ortak iş girişimleri kapsamındaki yatırımlarını da dikkate alan kapsamlı bir analiz yaparak Hipotez 1'in daha derinlikli bir incelemesini sunmaktadır. Ayrıca bu bölüm, Suudi Arabistan ve BAE'nin Mısır'daki yatırım politikalarını şekillendiren önemli tarihsel süreçleri de ortaya koymaktadır.

Çalışmanın nitel bölümü, Mısır'daki Suudi ve Birleşik Arap Emirlikleri yatırımlarını tarihselleştirmeyi ve ilgili siyasi ve sosyolojik bağlamda kritik olayların sırasını incelemeyi amaçlayan birincil ampirik strateji olarak süreç takibi yöntemini kullanmaktadır. Dolayısıyla, nicel bölümün birincil amacı değişkenler arasındaki nedenselliğe işaret eden kayda değer ilişkiyi ortaya çıkarmak iken, nitel analiz daha çok oyundaki nedensel süreçleri aydınlatmaya odaklanmıştır. Nedenlerden ziyade süreçlere odaklanmak, ortaya çıkan alternatif hipotezlere yanıt vermek ve ihmal edilen değişken yanlılığı (omitted variable bias), örneklem seçim yanlılığı (selection bias) veya ters nedensellik (reverse causality) nedeniyle ortaya çıkan içsellik (endogeneity) sorunu gibi nicel analizin ele alamayacağı ampirik avantajlar sağlamaktadır. Buna ek olarak, çalışma 2000-2023 yılları arasında Suudi Arabistan ve BAE'nin Mısır'daki devlet destekli yatırımlarına ilişkin farklı derlenmiş verilere dayanmaktadır. Veriler, devlet aktörleri arasında imzalanan ikili anlaşmalarla kolaylaştırılan Suudi Arabistan ve Birleşik Arap Emirlikleri menşeili firmalarının Mısır'daki yatırımlarını içermektedir. Bu veriler hem ortak yatırım planlarını hem de portföy yatırımlarını dikkate aldığından, Suudi ve BAE'li siyasi liderler tarafından yönlendirilen yatırım ilişkilerini anlamaya yönelik daha kapsamlı içgörüler elde edilmesine yardımcı olmaktadır. Son olarak, çalışma, bölge siyaseti konusunda dört seçkin uzmanla yapılan mülakatlara başvurmuş ve daha ayrıntılı bir açıklama sunmak için onların değerli bakış açılarını analize entegre etmiştir.

2000'den 2023'e kadar Mısır'daki Suudi ve Birleşik Arap Emirlikleri yatırımlarının süreç takibi, Mısır'daki darbe sonrası dönemin, Suudi ve Birleşik Arap Emirlikleri siyasi liderlerinin Mısır'daki ekonomik devletçiliklerinin bir uzantısı olarak yatırım girişlerini nasıl kullandıklarını gösteren, değişen eğilimlerin ortaya çıktığı önemli bir döneme işaret ettiğini göstermektedir. Suudi Arabistan ve Birleşik Arap Emirlikleri'nin Mısır'daki yatırımları 2013'teki askeri darbeden önce duyulmamış bir şey olmasa da, Suudi ve BAE'li liderleri Suudi Arabistan ve BAE kaynaklı yabancı yatırımları Mısır'a çekmek için siyasi ve ekonomik kaynakları daha önce görülmemiş bir şekilde kullandılar. Kullanılan ekonomik kaynakların önemli bir göstergesi, Suudi Arabistan ve Birleşik Arap Emirlikleri menşeili kamu iktisadi teşebbüslerinin ve egemen varlık fonlarının iştiraklerinin Mısır'daki yatırımları hızlandırmak için artan faaliyetleri olmuştur. Suudi ve BAEli liderler, devlete bağlı bu ticari kuruluşlara ikili ve çok taraflı diplomatik platformlarda yatırım fırsatlarını değerlendirme yetkisi vererek ülkeye devlet öncülüğünde yabancı yatırımları bizzat teşvik etmişlerdir.

Dahası, Suudi Arabistan ve BAE Mısır'a yabancı yatırımı hızlandırmak için siyasi kaynaklarını seferber ederek ekonomik motivasyona sahip özel iştirake sahip Suudi ve BAE'li yatırımcıları, yatırım çıkışlarını jeoekonomik bir araç olarak araçsallaştıran çerçeveye entegre etmeyi amaçladı. Suudi Arabistan ve BAE'li liderlerin Mısır'ın yatırım ortamına siyasi müdahalesi iki kritik süreçte gözlemlenebilir: Arap Ayaklanması'ndan sonra Suudi Arabistan ve Birleşik Arap Emirlikleri'nden iş adamlarının yargılanması ve Mısır'ın IMF ile iyileştirici krediler almak için yaptığı müzakereler. Suudi ve BAE'li liderler, Suudi ve Birleşik Arap Emirlikleri özel yatırımcılarının karşılaştığı "yasal sorunları" çözmek için diplomatik kaynaklara başvurmuş ve Mısır hükümetini yabancı yatırımcılara kalıcı koruma sağlayacak bir yasal mekanizma kurmaya çağırmıştır. Bu diplomatik manevra, sadece yargılanan Suudi Arabistan ve Birleşik Arap Emirlikleri kökenli yatırımcılarının aklanması için yasal bir temel oluşturmakla kalmayan, aynı zamanda yabancı varlıkların kamulaştırılması ve müsaderesine karşı daha fazla güvence sağlayan yeni bir yatırım kanununun yürürlüğe girmesiyle sonuçlandı. Bu çabada siyasi kaynakların seferber edilmesi, yabancı yatırımlara tanınan siyasi risklerin azaltılmasına yardımcı olmuş ve yatırım girişleri için verimli bir zemin hazırlamıştır. Ayrıca Suudi Arabistan ve Birleşik Arap Emirlikleri hükümetleri, Mısır'ın 2016 yılında IMF ile müzakerelere başlamasını desteklemek için odaklanmış siyasi çabalar göstermiştir. Sağlanan krediler ve şart koşulan ekonomik reformların uygulanması, ülkedeki özel yatırımcıların ekonomik sıkıntılarının giderilmesi için önemli adımlar olarak görülmüştür.

Sonuç olarak Suudi Arabistan ve BAE, Mısır'a yönelik dış politika hedefleri doğrultusunda yabancı yatırımları ekonomik devletçilik aracı olarak kullanmak için açık bir siyasi irade ortaya koydu. Suudi Arabistan ve BAE, kamu iktisadi teşebbüsleri ve egemen varlık fonları aracılığıyla yaptıkları büyük miktardaki yatırımlarla Mısır'da önemli bir yatırımcı rolünü üstlenerek ekonomik kaynaklarını seferber etmiş, ayrıca Mısır hükümetini siyasi ve ekonomik şikayetlerini ele almaya teşvik ederek Suudi ve BAE'li özel yatırımcıları bu politika çerçevesine entegre etmek için siyasi kaynaklarını seferber etmiştir. Çalışma, Suudi Arabistan ve Birleşik Arap Emirlikleri hükümetlerinin darbe sonrası dönemde Mısır'ın yatırım ortamına artan katılımının, Doğrudan Yabancı Yatarım girişlerinin kooptasyon-etkinleştirme ve bütçe-onaylama dinamikleri aracılığıyla Mısır'daki rejimin ayakta kalmasına yaptığı katkı ile ayrılmaz bir etkileşime sahip olduğunu ortaya koymaktadır. Hem süreç takibi hem de devlet destekli yatırım verileri, Mısır'daki kamu iktisadi teşebbüslerinin, devlet öncülüğünde gelişen Suudi Arabistan ve Birleşik Arap Emirlikleri yatırımlarının en önemli faydalanıcılarından biri olduğunu göstermektedir. Nitel analiz, Suudi ve Birleşik Arap Emirlikleri destekçilerinin Mısır hükümeti tarafından sahip olunan veya yatırım yapılan yerel firmalara yatırım yapma olasılığının daha yüksek olduğunu belirten Hipotez 1'i desteklemektedir. Nicel analiz sadece bu ülkelerin Mısır borsasındaki portföy yatırımlarına odaklandığı için bu ilişkiyi göz ardı etmiştir. Ancak Mısır'daki Suudi ve Birleşik Arap Emirlikleri yatırımlarının tarihsel analizi, bu ülkelerden gelen yatırım aktörlerinin Mısır hükümetine bağlı yerel firmaların devletlerini satın almak yerine ortak yatırım projelerine ve platformlarına yatırım yapmayı tercih ettiklerini ortaya koymaktadır. Niteliksel bölüm de Hipotez 2'yi desteklemektedir. Siyasi bağlantıları olan iş dünyası elitleri, Suudi ve Birleşik Arap Emirlikleri işadamlarının önde gelen ortaklarından biri olmuştur. Bu ortaklığın kayda değer bir örneği, Yeni İdari Şehir'in inşası ve Süveyş Kanalı bölgesinin geliştirilmesi gibi Mısır'ın amiral gemisi projelerinde görülebilir. Mısır ordusu ve siyasi bağlantıları olan elit kesim, Suudi Arabistan ve Birleşik Arap Emirlikleri menşeili devlet kurumları ve özel yatırımcılar tarafından yatırım yapılan bu projelerin ana yüklenicileri olmuştur.

Bu çalışma şunu da göstermiştir ki, süreç takibi metodolojisinin faydalarından biri, araştırmanın ortaya çıkan bazı alternatif hipotezlere yanıt vermesini sağlamasıdır. Hem nicel hem de nitel analizler, Suudi ve Birleşik Arap Emirlikleri yatırımcılarının, özellikle Müslüman Kardeşler bağlantılı Mursi'yi deviren ve Suudi Arabistan ve BAE'nin desteğini alan El-Sisi'nin iktidara gelmesine yol açan 2013 askeri darbesinden sonra, siyasi olarak bağlantılı yerel bir paydaşı içeren Mısır borsasında işlem gören Mısırlı firmalara yatırım yapma olasılıklarının daha yüksek olduğunu göstermektedir. Yazar, gözlemlenen ilişkinin Suudi Arabistan ve BAE'nin Mısır'daki yatırımlarının siyasi sonuçlarını somutlaştırdığını ve Suudi Arabistan ve BAE'nin Mısır'da rejimin ayakta kalmasını sağlamak için yatırımları ekonomik devletçilik aracı olarak kullandığını öne sürmektedir. Suudi Arabistan ve Birleşik Arap Emirlikleri'nin Doğruda Yabancı Yatırım girişlerinin, iktidardakiler ile siyasi elit arasındaki kooptasyon dinamiklerinin tetiklenmesine katkıda bulunabileceğini vurgulamaktadır.

Bununla birlikte, bir alternatif tez olarak, Suudi Arabistan ve Birleşik Arap Emirlikleri menşeili yatırımlar ile siyasi iltisakli şirketler arasındaki bağlantının tamamen yatırımcıların ekonomik motivasyonları nedeniyle gözlemlenebileceği iddia edilebilir. Bu alternatif bakış açısına göre, yabancı yatırımcılar hükümetten özel ayrıcalıklar elde etme beklentisiyle siyasi bağlantılı firmaları tercih edebilirler. Ayrıca, siyasi olarak iltisakli firmalar, piyasadaki diğer firmalarla rekabette kendilerine ayırt edici bir avantaj sağlayabilecek belirli ekonomik ayrıcalıklara zaten sahip olabilirler. Ekonomik rant peşinde koşan yabancı ekonomik aktörler, ayrıcalıklı bir sınıfın parçası olmak için bu firmalara girebilirler. Bu araştırma bağlamında, bu alternatif hipoteze yanıt vermek, siyasi saikler ile Doğrudan Yabancı Yatırımlar arasındaki bağlantının yüzeysel ve içi boş olmadığını ve Doğrudan Yabancı Yatırım girişlerinin ev sahibi ülkede belirli siyasi hedeflere ulaşmak için şekillendirilebileceğini ve araçsallaştırılabileceğini kanıtlamak açısından önemlidir. Süreç takibi metodolojisi sayesinde bu araştırma, siyasi değişkenler ile doğrudan yabancı yatırımlar arasındaki bağlantıyı belirli bir tarihsel zaman dilimine ve siyasi konjonktürler ağına yerleştirerek bu alternatif hipotezi ele almaktadır. Çalışma, Mısır'a yatırım yapan Suudi Arabistan ve Birleşik Arap Emirlikleri menşeili özel şirketlerinin niyetlerinin kâr güdüsüyle hareket etmesine rağmen, Mısır ile yatırım ilişkilerinin dinamiklerini değiştiren en önemli faktörün Suudi Arabistan ve Birleşik Arap Emirlikleri'nin siyasi liderlerinin bu yatırımları siyasileştirme kararlılığında yattığını göstermektedir. Suudi Arabistan ve BAE liderleri, darbe sonrası Mısır'da otoriter rejimin istikrarını destekleme ortak hedefi doğrultusunda belirli jeopolitik hedeflere ulaşmak için stratejik olarak yatırım akışlarından yararlanarak siyasi kaynakların benzersiz bir şekilde kullanıldığını göstermiştir. Mübarek'in iktidarı sırasında Suudi Arabistan ve Birleşik Arap Emirlikleri'nin devlet öncülüğündeki yatırımları darbe sonrası dönemdeki kadar büyük değildi ve Suudi ve Birleşik Arap Emirlikleri liderliği, bu ülkelerden gelen özel yatırımcıların siyasi ve ekonomik şikayetlerini hafifletmek amacıyla Mısır rejimini teşvik edecek siyasi girişimlerde bulunmasaydı Suudi ve Birleşik Arap Emirlikleri yatırımlarının girişi hızlanmayabilirdi.

Bir başka alternatif hipotez de Marksist bakış açısıyla ortaya atılabilir. Bu bakış açısına göre, Suudi ve Birleşik Arap Emirlikleri sermayesinin Mısır'a yayılması, Körfez kapitalistlerinin bölgede yeni birikim fırsatları keşfettiği Körfez kapitalizminin uluslararasılaşmasının geniş bir şeması olarak yorumlanabilir. Bu perspektifte, kapitalist sınıfların çıkarları analitik çerçevenin özünü oluşturmaktadır ve temel iddia, sermaye birikiminin, Körfez kapitalistleri ile bölgesel sermaye sahiplerinin işbirliğini oluşturan hiyerarşik olarak yapılandırılmış bir kapitalist sınıf tarafından bölgesel emeğin mülksüzleştirilmesine dayandığıdır. Bu araştırma, Suudi Arabistan ve Birleşik Arap Emirlikleri kökenli yatırımcılarının ve tahsis edilen yatırımların birbiriyle bağlantılı olma ihtimalinin daha yüksek olduğu, birbirine sıkı sıkıya bağlı bir ağ oluşturduğunu göstererek bu bakış açısını desteklemektedir. Ayrıca, Suudi ve Birleşik Arap Emirlikleri yatırımcılarının Mısır'ın sermaye sınıfıyla işbirliği yapma olasılığı daha yüksektir ve çeşitli ortak yatırım projelerinde ortaklıklar kurmayı tercih etmektedirler. Bununla birlikte bu araştırma, Körfez sermayesinin bölgedeki genişlemesinin, Körfez kapitalistlerinin çıkarlarını bölgedeki siyasi hedeflerini güçlendiren bir siyasi çerçeveye entegre edebilen siyasi yöneticilerin şemsiyesi altında beslendiğini de vurgulamaktadır. Dahası, jeopolitik hedeflerin özel ekonomik çıkarlar üzerindeki önceliği bazı siyasi atılımlara ve krizlere işaret etmiştir. İncelenen vakada bu krizlerden biri, Suudi Arabistan ve BAE'nin Arap Ayaklanması sonrasında Katar ile yaşadığı anlaşmazlıktır. Darbe sonrası Mısır'da geniş çaplı yatırımlar olmasına rağmen Katar, Körfez'in ülkedeki yatırım ağından dışlanmıştı. Katar krizi Körfez sermaye birikimini durma noktasına getirmiş olsa da, Körfez egemenlerinin bölgesel güvenlik kaygılarıyla iç içe geçen yeni siyasi dinamikler, sermaye sınıflarının çıkarlarını tamamen baltalamasa da, bu dinamiklere bir noktada üstün gelmiştir.

Bu çalışmanın bulguları, Doğrudan Yabancı Yatırımların siyasi sonuçlarını inceleyen üç farklı sosyal araştırma gündemi için önemli içgörüler sunabilir. İlk ve en önemlisi, bu araştırma otoriter istikrarı perçinleyen güçleri inceleyen akademik çalışma yığınına katkıda bulunmaktadır. Diğer finansal kaynakların otoriter iktidarların ayakta kalmasındaki rolü, ağırlıklı olarak dış yardım ve doğal kaynaklar üzerinde durularak titizlikle incelenmiş olsa da, Doğrudan Yabancı Yatırımlar ve otoriter istikrar arasındaki bağlantı yeni gelişen bir araştırma konusudur. Bu araştırmanın sonucu, Doğrudan Yabancı Yatırımların otoriter yönetimlerde rejimin hayatta kalmasına katkıda bulunabileceğini iddia eden mevcut çalışmaları desteklemektedir. Doğrudan Yabancı Yatırımlar, otoriter liderlerin patronaj ağlarını kristalize etmek ve devletlerin baskı aygıtlarını güçlendirmek için kullanabilecekleri, otoriter iktidarlar için değerli bir finansal fon işlevi görebilir ve bu da halk ayaklanmaları veya elitlerin siyasi desteklerini çekme tehdidini bastırmada onlara yardımcı olabilir. Dahası, Doğrudan Yabancı Yatırımlar siyasi elit ile iktidardakiler arasında bir sadakat aracı olarak işlev görebilir ve lidere sırt çevirme maliyetini artırarak siyasi rejime olan sadakati pekiştirebilir. Ancak, kullanılan kavramsal çerçevenin maharetine rağmen, Doğrudan Yabancı Yatırımlar ve otoriter direnç arasındaki bağlantıyı inceleyen çalışmalar ağırlıklı olarak yabancı yatırımların otoriter liderlerin iktidara tutunma dinamiklerini etkileyen iç süreçlere çıkarımına odaklanmakta ve uluslararası güçlerin yabancı yatırımların rejimin ayakta kalmasına katkısını destekleyen bu mekanizmalara nasıl müdahale edebileceğini göz ardı etmektedir. Bulgular, Doğrudan Yabancı Yatırımların ev sahibi ülkeler, ev sahibi ülkeler ve özel sektör aktörlerini kapsayan çok katmanlı yapısının önemini vurgulamakta ve ev sahibi ülkelerin Doğrudan Yabancı Yatırım girişlerini ev sahibi ülkelerdeki otoriter iktidarları desteklemek için araçsallaştırma yönündeki siyasi saiklerinin, otoriter iktidarların iktidarda kalma ihtimallerini güçlendiren bütçe destekleme ve kooptasyon sağlama dinamiklerini etkileyen önemli bir müdahale gücü olarak işlev gördüğünü ortaya koymaktadır. Ev sahibi ülkenin politikaları Doğrudan Yabancı Yatırımlar ve rejimin bekası arasındaki bağlantıda önemli bir faktördür çünkü bu ülkeler hem ev sahibi ülkelere devlet öncülüğünde yabancı yatırım girişini kolaylaştırmak için ekonomik kaynakları hem de özel yatırımcıların Doğrudan Yabancı Yatırımlar akışını siyasallaştıran çerçeveye entegrasyonunu sağlamak için siyasi kaynakları harekete geçirme kapasitesine sahip olabilirler.

İkinci olarak, bu çalışma, belirli jeopolitik hedeflere ulaşmak için jeoekonomik araçlarının devletler tarafından kullanılabileceğini öne süren Uluslararası Politik Ekonomi perspektifinin altını çizmektedir. Araştırmanın bulguları, Suudi Arabistan ve Birleşik Arap Emirlikleri hükümetlerinin Mısır'a yönelik yabancı yatırım çıkışları için siyasi bir çerçeve oluşturduklarını ve Mısır'a hem devlet öncülüğünde hem de özel yatırımları hızlandırmak için muazzam siyasi ve ekonomik kaynakları seferber etmeye başladıklarını vurgulamaktadır. Yatırım akışı, diğer ekonomik işlem türleriyle birlikte, darbe sonrası her iki Mısır hükümetinin de ekonomik olarak ayakta kalmasında etkili olmuş ve bu iktidarların ülke içindeki patronaj ağlarını güçlendirmelerini sağlamıştır.

Dolayısıyla çalışma, özellikle 2013 darbesinden sonra Mısır'daki Suudi Arabistan ve Birleşik Arap Emirlikleri yatırımlarıyla iç içe geçmiş jeopolitik eğilimlerin varlığını vurgulamaktadır. Bununla birlikte çalışma, jeopolitik faktörlerin varlığının çalışmada tespit edilen jeoekonomik saiklerin açıklayıcı gücünü azaltmadığını da vurgulamaktadır. Aksine, çalışma yabancı yatırımın jeopolitik hedefler doğrultusunda bir dış politika aracı olarak araçsallaştırılmasının siyasi otoriteleri özel yatırımcıların ekonomik odaklı çıkarlarını dikkate almaya itebileceğini ortaya koymaktadır. Özel yatırımcıların denklemdeki önemli yeri, Doğrudan Yabancı Yatırımlarla bağlantılı siyasetin barındırdığı jeopolitik ve jeoekonomik saiklerin karşılıklı etkileşiminin gerçekleştiği bir bağlamda incelenmesini gerektirmektedir. Bu anlamda, bu çalışmanın sonuçları, jeopolitik ve jeoekonomik eğilimler arasında bir gerilimin varlığının altını çizen UPE'deki belirli bir perspektiften farklılaşmaktadır. Buna yaklaşıma göre, devletlerin yükselen ekonomik güçleri dengelemeye yönelik siyasi istekleri, ekonomik karşılıklı bağımlılıklardan faydalanabilecek özel şirketlerin ekonomik güdüleriyle karşı karşıya gelebilir. Devletlerin ve özel sektör aktörlerinin farklı güdülerinin, devletlerin güç rekabetinden kaynaklanan jeopolitik eğilimler ile özel sektör aktörlerinin bu rakip devletlerdeki pazar fırsatlarını keşfederek kar maksimizasyonu arayışlarının işaret ettiği jeoekonomik eğilimler arasında gerilim oluşturduğu savunulmaktadır. Bu anlamda, özel sektör aktörlerini cezbeden piyasa karşılıklı bağımlılıklarının ortaya çıkışı, devletler için de önemli jeopolitik baskılar doğurmaktadır. Ancak, jeopolitik baskılar ve jeoekonomik eğilimler arasındaki bu gerilim -özellikle ABD ve Çin arasında- hala devam ediyor olsa da, bu çalışma bu gerilimin her durumda kaçınılmaz olmayabileceğine işaret etmektedir.

Son olarak bu çalışma, petrol zengini iki önemli bölgesel ekonominin Doğrudan Yabancı Yatırım çıkışlarının siyasi sonuçlarını inceleyerek Orta Doğu'daki yatırımların siyasi ekonomisi üzerine gelişen literatüre katkıda bulunmaktadır. Gerçekten de Suudi Arabistan ve BAE'nin bölgesel yatırımları nispeten yeni bir olgudur. Orta Doğu uzmanları arasında bu yatırımların ekonomik itici güçlerini ve yankılarını anlamanın yanı sıra bölgedeki jeopolitik manzaranın değişmesinin bu yatırımlar ile ilgili artan siyasi etkilerini anlamak önemli düzeyde akademik ilgi uyandırmaktadır. Bu çalışma, bir yandan Mısır'daki Suudi ve Birleşik Arap Emirlikleri yatırımlarını yönlendiren ekonomik itici güçlerin önemini ortaya koymaktadır. Yatırımların sektörel dağılımı, bu ülkelerin ekonomik çeşitlendirme planlarıyla uyumlu bir model ortaya koymakta ve özellikle Suudi Arabistan ve BAE'nin Mübarek dönemindeki yatırım ilişkilerinde jeoekonomik saiklerin varlığına işaret etmektedir. Öte yandan ise araştırma, değişen jeopolitik dinamiklerin Suudi Arabistan ve BAE üzerinde zorunlu bir güç olduğunu ve onları doğrudan yabancı yatırım akışlarını bölgedeki güvenlik endişelerini giderecek bir siyasi çerçevede araçsallaştırmaya sevk ettiğini ortaya koymaktadır. Dolayısıyla askeri darbe, Suudi Arabistan ve Birleşik Arap Emirlikleri'nin Mısır ile yatırım ilişkilerinde kritik bir nokta teşkil etmekte ve darbe sonrası Mısır'da iktidarın siyasi bekasına katkıda bulunacak bir yabancı yatırım çerçevesinin şekillendirilmesinde bu ülkelerin önemli siyasi ve ekonomik kaynaklarının kullanıldığına işaret etmektedir. Çalışma, en özel ekonomik ilişkilerin bile bölgedeki siyasetten bağımsız düşünülemeyeceğini ortaya koymakta ve Orta Doğu'da siyasi ve ekonomik güçlerin iç içe geçmiş etkileşiminin altını çizmektedir.

Bu tezin bulguları, Doğrudan Yabancı Yatırmaların otoriter yönetimin sürekliliğine katkıda bulunabileceği ve yabancı yatırımların hükümete ve siyasi elitlere iltisakli yerli firmalara tahsis edilmesinin bu ilişkinin ortaya çıkmasında önemli bir rol oynadığı önermesini desteklemektedir. Bu sonuç, otoriter ev sahibi ülkelere yönelik Doğrudan Yabancı Yatırım çıkışlarının pekiştirici etkisini azaltmayı amaçlayan demokrasi yanlısı politika yapıcılar için önemli bir politika önerisi sunmaktadır. Bu bağlamda, bu tür bir politika önerisi, alıcı ülkelerdeki otoriter liderlerin dış yardımı iktidarlarını güçlendirmek için kullanmalarını engellemeye çalışan bazı demokrasi yanlısı donör ülkelerin çabalarıyla örtüşmektedir. Bu donör ülkeler, yardım akışlarının otoriter iktidarlar tarafından kendi iktidarını sağlamlaştırmak için kolayca kullanılmamasını sağlamak için belirli koşullara bağlama ve yardımların kullanılma yöntemlerini izleme stratejilerine başvurabilirler. İlk strateji, yardım akışlarının alıcı ülkede belirli demokratik reformların uygulanmasına koşullandırılması anlamına gelirken, ikincisi, ödenen yardımın kalkınma hedefleri kapsamında harcanıp harcanmadığını izlemek için kurumsal bir çerçeve oluşturulması anlamına gelir. Bununla birlikte, Doğrudan Yabancı Yatırımların otoriter dirence katkıda bulunan rolünü engellemede, Doğrudan Yabancı Yatırımların çok yönlü yapısı ve iş odaklı doğası nedeniyle bu stratejiler pratik olmayabilir. Başka bir deyişle, bir ev sahibi ülkedeki çok sayıda kâr odaklı ticari aktörün yatırım faaliyetlerini şarta bağlamak veya izlemek mümkün olmayabilir. Dolayısıyla bu çalışma, yatırım çıkışlarını siyasi bağlantılı veya devlete ait olma ihtimali daha düşük olan yerli küçük ve orta ölçekli işletmelere (KOBİ'lere) yönlendirmeyi amaçlayan akıllı teşvikler geliştirmenin daha etkili bir strateji olacağını öne sürmektedir. Bu anlamda, yatırım çıkışlarının yatırım yapılan sektörden ziyade yerli firmanın büyüklüğüne göre teşvik edilmesi, Doğrudan Yabancı Yatırımların otoriter iktidarları desteklemedeki katkı etkisini azaltmanın yanı sıra, özellikle Orta Doğu ülkelerinde ekonomik büyüme ve istihdamın vazgeçilmez bir unsuru olan KOBİ'lerin endüstriyel gelişimine katkıda bulunacaktır. Bu teşvikler, vergi ayrıcalıkları ve kredi arzına ayrıcalıklı erişim gibi özel yatırımcıları cezbedebilecek ekonomik faydalardan oluşabilir ve ulusal veya uluslararası organlar altında kurumsallaştırılmış yasal bir çerçeve altında uygulanabilir.

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TEZİN ADI / TITLE OF THE THESIS (**İngilizce** / English): Investing in Authoritarianism: Saudi Arabia and the UAE's FDI Inflows into Egypt under Sisi

TEZİN TÜRÜ / DEGREE: **Yüksek Lisans** / Master ☐ **Doktora** / PhD ☒

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