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A Purge Too Far?

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More than a month after President Hosni Mubarak was removed from power, Egypt's jails are again filling up, but this time with senior officials of the fallen regime.

During Egypt's Papyrus Revolution, the state's jails were emptied. Hundreds of convicts -- Islamists and secularists alike -- escaped and vanished. Still others were released by the doomed Mubarak regime to attack pro-democracy demonstrators in Tahrir Square. Some foreign terrorists in Egyptian custody even quit their cells and auto-repatriated to Gaza and Lebanon.

More than a month after longtime Egyptian president Hosni Mubarak was removed from power, Egypt's jails are again filling up. But this time, it's not the usual Islamist suspects behind bars. Instead, Egypt's holding cells and court dockets are swelling with senior officials of the fallen Mubarak regime.

Like post-Saddam Iraq circa 2003, Egypt is in the early stages of its own de-Baathification process, purging and prosecuting former Mubarak regime functionaries. Some members of the former regime, including Minister of the Interior Habib el-Adly and four of his deputies, have been indicted for killing protesters during the Tahrir Square demonstrations. To date, though, more than murder and torture, members of the Mubarak regime are being charged with financial corruption and illegal profiteering.

In addition to facing a murder rap, the once feared former interior minister is on trial for laundering money; the former tourism minister stands accused of embezzling government funds; executives responsible for Egypt's gas industry -- and the sweetheart export deal with Israel -- are under investigation. The former speakers of Egypt's upper and lower houses of parliament are likewise being scrutinized by the state's central accounting office.

No doubt the arrests and trials of Mubarak functionaries will provide overdue catharsis for the vast majority of Egyptians who never enjoyed the trickle-down benefits of Egypt's macroeconomic success. But carried too far, the cleansing could backfire on Egypt's economy.

To date, the most consequential individuals targeted have been top figures from the "Government of Businessmen," who drove (and benefitted from) Egypt's remarkable economic growth from 2004-2011. Just this week, for example, Egypt's attorney general said he would be issuing an arrest warrant for the former minister of finance, Yousef Boutros Ghali, for allegedly siphoning off millions of dollars from state coffers to illegally bankroll Mubarak regime propaganda activities. Most prominent of this group is Ahmed Ezz, the steel baron-monopolist long considered among Egypt's most corrupted officials, currently incarcerated in Cairo. Should Ezz -- a close associate of the ousted president's son Gamal Mubarak -- be convicted, the popular schadenfreude will be considerable.

But a warrant was also issued for the widely respected former minister of industry and trade, Rachid Mohamed Rachid, who is charged with assisting Ezz to illegally amass millions. Outside of Egypt, Rachid is viewed as a skilled and noncorrupt technocrat. Unlike Ezz, Rachid was spirited from the country prior to his arrest and remains on the lam in Dubai.

After 30 years of the corrupt and brutal Mubarak regime, emotions in Egypt are understandably running high. Resentment toward the ancien regime -- and calls for vengeance -- have spiked. Rachid may ultimately be found guilty of something, but at present, it appears to be more a case of guilt by association.

No one is debating the importance of repatriating stolen Egyptian assets and prosecuting former regime profiteers. The longer and deeper the purges run, however, the more difficult it will be to attract foreign direct investment and resume normal economic activity. Hard times lie ahead for Egypt, and the state can ill afford to excise all the skilled technocrats and entrepreneurs who profited under Mubarak.

During the revolution, the local stock market bottomed out and closed, foreign capital fled, and S&P downgraded its rating of Egyptian debt. Since Mubarak's departure, the state has likewise been beset by dozens of strikes, slowing the resumption of economic growth. Worse, tourism, Egypt's second largest source of revenue, a leading source of employment, and the oil that fuels the domestic economy, will likely not rebound for some time.

But that's not all. Egypt is the world's largest importer of wheat, and the daily Al Masry al Youm is reporting that

food processing factories are running at only 60 percent of capacity in large part because foreign suppliers now insist on being paid in cash.

Simply stated, a deepening crisis of confidence in Egypt's economy is brewing. The next government -- liberal, Islamist, military, or a combination of the three -- will be faced with deepening economic woes amidst euphoric public expectations. Macro-economic reform -- the key accomplishment of the Mubarak regime -- will likely be reversed as the state intervenes to alleviate poverty.

Despite anticipated rollbacks in economic reforms, the international community needs to provide urgent assistance. Renegotiating Egypt's foreign debt and providing the state with an advance on the seized assets of Mubarak regime officials would be a good place to start.

For its part, to meet profound economic challenges at home, Cairo will need to assemble an economic brain trust, just as the former regime did in 2004. Not only will the new team have to be squeaky clean, it will also have to be up to the task, no mean feat in a state that the 2010 U.N. Human Development Report said turns out locally educated workers with degrees of "limited value."

With the Mubarak regime vanquished, it's time for Egyptians to get to work on rebuilding their state, an undertaking that will require deploying all the human capital the state can muster. To ensure high standards of transparency in this process, those deemed corrupt at home must be weeded out. Weeding, though, is the proper metaphor. Amidst the enthusiasm to rid the state of the former regime, Egyptians will have to take care not to uproot also the productive parts of their economy.

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