

# Egypt: Economic Ruin Threatens Stability

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Over the nine years of President Sisi's rule, Egypt has experienced significant challenges to its security and stability. Periods of security breaches along its western border have now given way to a prolonged engagement in Libya's civil turbulence, while a longstanding insurgency in the Sinai Peninsula continues. Elsewhere, the country has contended with significant challenges in its battle for water security, as relations with Sudan and Ethiopia over the decade-long dispute surrounding the Grand Ethiopian Renaissance Dam (GERD) remain frayed, with no negotiated solution in sight. Domestically, the political situation has secured Sisi's grip on power, through a protracted and ruthless crackdown on political opposition, dissidents and rights activists, while the economy has fluctuated, periodically throwing up new challenges for the regime to contend with. In large part, these have been responded to through mass external borrowing and an effective takeover of the economy by the military apparatus.

While Egypt has endured a relatively calm, albeit still deadly experience with the Covid-19 pandemic, 2022 arguably poses the greatest threats the country has faced in the last decade, as the war in Ukraine brings the country to the brink of economic collapse. Without the immediate and unconditional support and bailout promises from Gulf nations, which were forthcoming in 2013 at a similar – if not more manageable – inflection point, President Sisi faces a watershed moment in his leadership.

## Egypt's Domestic Woes

The country has had a multitude of challenges to contend with over the last decade. Some of the most en-

during ones, however – namely economic – have, significantly, been of its own making, as the regime has responded poorly to attempts of economic and social reform, amid a drive to effectively militarize the State. Egypt is no stranger to concurrent crises, and its various forms of leadership have spent the last decade battling social, political and economic reform. Under President Sisi, that has materialized into a heavy crackdown on civic activism, political opposition and attempts to subdue parts of the security apparatus to secure and hold onto power. Meanwhile, the economic burdens have never been availed of, and poor policy and mass external borrowing have plunged the country into debt on a level it has never experienced before. The Ukraine war has had spillover effects all over the world, and the ripple effects of Russia's invasion are yet to be fully felt. Yet, Egypt stands to be one of the most affected in the Middle East region. Not just because of its own dependence on wheat imports from Russia and Ukraine, which combined make up over 60 percent of Egypt's annual wheat supply, but also looming shortages of fertilizer, steel, and the inevitable global downturn (notably the effects on the US economy and strain on the US dollar) are already causing panic in Cairo.

Driven by a need to immediately and severely change course on economic policy, President Sisi is enacting a series of dramatic political and economic decisions as he attempts to stem the effects of the economic shocks, and the compounding effects of Covid-19 and the Ukraine war on its sustainability. Thus far, in 2022, the President has enacted a devaluation of the artificially-valued currency, with a larger devaluation still on the cards. Interest rates have been raised as inflation soars, and negotiations have entered a critical phase with the IMF and other international lenders for their support. Key to these negotiations is the condition that Egypt's military and state

apparatus begin a divestment programme for the country's economy.

While there is little record of exactly how much of the economy is controlled or managed by the military, combined, the state and military incursion upon the private sector has contributed to a years-long "crowding-out" of investors and private companies, and has contributed to a sustained lack of foreign direct investment. And while many are quietly and cautiously optimistic that a serious attempt to privatize state assets and companies, and divest parts of the military is underway, there are significant political calculations and costs that come from Sisi's need to change economic course.

President Sisi did not come to power on the back of a significant military constituency. He was elevated to the role by virtue of significant popular support and a "cult of personality" that demanded he become President. Despite requiring – and depending – on the voice of the people to remove the former Muslim Brotherhood President Mohamed Morsi (now deceased), Sisi spent little time placating himself to the people. Almost instantly, his guise turned towards building constituency and securing his position among the military and the various other branches of the security apparatus.

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In practice, this course of action has resulted in significant internal changes in the military and security leadership and consecutive attempts to consolidate power at the very top to prevent any kind of repeat performance of the events of 2011, which brought down the 30-year rule of President Hosni Mubarak. Key to the overthrow of the former President, in the eyes of this current leadership, was the fiefdoms of power controlled by different arms of the security apparatus,

and notably the immense power yielded by General Intelligence and the significant size of the police force. As Sisi has worked to bring military power back to the fore, he has experienced both success and failure at consolidating power within the police and wider security network. A large trade-off has seen the National Security apparatus ("Amn El Dawla") effectively left to run riot. Over the course of nine years, which have seen security forces implement their own interpretation of a civil and social crackdown, thousands of citizens have become ensnared in the system, held for years in pre-trial detention, or tried in emergency courts that have no right of recourse or appeal upon sentence. Thousands of largely young men and women languish in prison, subjected to poor prison conditions, while civil society has been decimated. Thousands of local NGOs have been forced to shut down, unable to source funds, while those who continue to operate, largely do so on an ad-hoc basis. They rely on volunteers, if they can no longer hire staff, or threats of closure and police action if they are active in the human rights space.

Meanwhile the President's policies and influence over a pliant and security-led parliament have seen political parties targeted, shut down or forced into submission. Candidates are almost all hand-picked and vetted by intelligence services to ensure their enduring loyalty. Politics has effectively been diminished to the point of being irrelevant in the country, with the President choosing securitizing institutions over forming a party himself, and dominating the political system through its mechanisms. The President's constituency among the military has also led to a purge of dissident generals. Amid the institution's mass buying off through salary hikes, hundreds of new companies have taken over core local manufacturing such as pharmaceuticals and cement, as well as insert themselves into other sectors like fisheries. In addition, the President has spent billions on upgrading the military and security apparatus through massive billion-dollar arms deals with a range of countries including the US, France, United Kingdom, Germany and Italy.

And as President Sisi builds his constituency, he has kept the population quiet and largely unassuming through a mass infrastructure drive (owned and operated by the military), which has seen new bridges and roads change the landscape of its most well-known urban centres, such as Cairo and Alexandria, while 20 new mega projects have seen the creation

of new cities and a changing desert, as five-lane highways connecting the country take hold. Even as daily life gets harder and more expensive, many citizens point to the very visible changes and developments they see as a justification for the economic hardship they are enduring.

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But the panic in Cairo that has set in now is reflective of an economic and social challenge so great that there is real fear of how to tackle it and what kind of response the regime will be met with. Protests have remained sporadic, light in number and easily extinguishable throughout Sisi's tenure, but by no means are they absent. And while the private sector is somewhat alleviated of the challenges they have faced from military incursions into the economy through plans to divest and privatize companies, there is a looming question mark surrounding Sisi's constituency within the military and how he can diversify support enough to prevent threats to his leadership or his regime. These domestic challenges come at a time when climate change threatens Egypt's driving force – agriculture – further pressured by the continued construction and filling of the GERD in Ethiopia, with no negotiated agreement between Egypt, Ethiopia and Sudan. Border security is once again top of the agenda after weeks of serious security breaches in North Sinai, as the insurgency gathers new steam, and Libya sits on the precipice of a new round of civil conflict, despite Egypt's attempts to deescalate and prevent such a situation.

It is, therefore, arguably the worst time for the President to face internal threats and challenges, further exacerbated by an expected global recession and more suffering, as the fallout from Russia's invasion of Ukraine is still being calculated. It is, therefore, a clear signal of just how pressured the regime is feel-

ing that, of late, there has been a warming to political opposition, through the announcement of a new "national dialogue" and the resurrection of the "Presidential Amnesty Committee" to review the cases of political detainees, and a privatization drive has begun, with a string of announcements of assets and companies of which a percentage of ownership will be made available for private purchase. The country is therefore being told, through this cascade of new decisions and political U-turns from the President – some that have formed the bedrock of his leadership style and hold on power – that there is real panic rippling through the presidential palace, and continued paranoia over the size and power of threats against the current leadership from internal dynamics and developments.

### Conclusion

The recent decision comes as Egypt is preparing to host the UN Climate Summit (COP27) in November in Sharm el Sheikh and has enjoyed a prolonged period of political and security-related stability, if not a complete economic revival. Prior to the Covid-19 pandemic and the ensuing shutdowns, the country was enjoying the return of tourists to levels not seen since 2010 and the highest recorded remittances in its history, not to mention skyrocketing consumer purchasing power, albeit largely concentrated among a small but wealthy elite.

Today, the country is contending with the most powerful of economic shocks, as the world concurrently absorbs similar challenges, which only add to exacerbating Egypt's domestic situation. While recent decisions regarding a possible relaxation of the political and civic crackdown have sparked rumours of a course correction under President Sisi, it is far likelier to be an attempt to expand the number of actors and players that are bought into the regime, as it continues its trend of absorbing dissenting voices. Whether it be through notable prisoner releases or relaxing some of the legislation that drives the crackdown through National Dialogue, President Sisi is not only looking to stem the blow of the economic shocks to come, but is also looking further ahead, arguably ensuring this moment cannot be used to materially challenge his authority, with a presidential election looming on the horizon in 2024.