MULTIDISCIPLINARY CHALLENGES AND THE APPROACHES TO MEETING THEM
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EGYPT - ON THE WAY OF CONSOLIDATION OR JUST THE CALM BEFORE THE STORM?

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ABSTRACT

Six years have passed since the political metamorphosis, called Arab Spring that had swept away President Mubarak’s three-decade rule. The following years can be divided into several periods: military governance, then moderately radical Islamist rule, then military government again, and finally – since May 2014 – the election and official tenure as president of the head of the recent military government, General Sisi who is the incumbent head of state even now. President Sisi came with ambitious plans, the essence and goal of which was the economic restoration, and the inner political and social reconciliation of Egypt. No doubt about the fact that it has already shown certain results at macroeconomic level. But, the dissatisfaction of the society seems to be growing. Prospects for the Egyptian society of nearly 90 million people, especially for the poorest groups (which ranges to the half of the population) have not yet improved and many people from the young generation feels no future. People in Egypt expected better living conditions and possibilities from the Arab Spring, but instead they experience increasing economic restrictions, corruption cases of politicians closely tied to the army, and certain signs of a police state, which was well known during the Mubarak-era. After all it is a delicate question whether President Sisi will be able to implement the macro-economic restoration of Egypt or not, but if so, what price the society has to pay for it? This paper will introduce the latter factors, the present state of the Egyptian economy and society.

INTRODUCTION

Two and a half years have passed since General Abdel Fattah el-Sisi became President of Egypt, but since then there are no signs of progress and prosperity in the economy and none of the major social problems have been solved. The formal and informal role of the Armed Forces are getting stronger while the state and respect of human rights resembles the former Mubarak regime.

The Egyptian population – mainly the poor and young people - feel growing disappointment and hopelessness for their future. They may ask the question: Is that really all what the Arab Spring has brought about?

The future of Egypt will have direct and thorough impact on Europe as well. Egypt is a country which has distinguished and peculiar geo-strategic position. It is located between continents, it is directly on the geographic borderline of Africa and Asia, but from many aspects it can be stated that it has close ties to Europe as well. Egypt has an important role in international trade – one of the most important navigation routes crosses her territory (Suez Canal). Egypt, is the most populous state in the Southern Mediterranean region and in the entire Arab world.

The objective of the present study is to examine and analyse how and why Egypt could fall into its present complicated situation from which – still at the moment – there is a chance to break out, but a much worse scenario – a new revolution – may also be envisaged.
MATERIAL AND METHODS

This study was based mainly on secondary research, including the available international bibliography and databases in this field. The author used to live and work in Egypt for a two-year period, which coincided with the Arab Spring and the fall of the Mubarak regime as well, while since then he still frequently visits Egypt. Therefore, his on-site experiences, his existing personal contacts and some of his formerly published papers related to this field (Neszmélyi, 2013, 2014) were also beneficial to the outcomes of this paper.

The antecedents of Sisi’s rule

The Mubarak regime and the 25 January Revolution

Since 1981, following the assassinated President Anwar Sadat, the former vice-president, Mohammad Hosni Mubarak took over the presidency in Egypt, and based his power on a "veteran" military leaders’ circle of the 1973 war and on the National Democratic Party (NDP) which functioned as a quasi state-party. The quasi dictatorial regime was operating beside the conditions of the so-called emergency state from the beginning to the end. In the maintenance of the regime, the police authorities and the secret services had a key importance. Human rights were strongly limited however, the regime, from the beginning to the end, strictly arose against political and religious extremities. Prior to 2011 the presence and activity of the above could rarely be experienced in Egypt.

The secular political system rendered possible the relatively peaceful coexistence of the moderate Moslem majority and the practically 10% of the Christian minority. Although the constitution determined the Sharia as a fundamental source of law, it was practically applied in cases of a family law only concerning the Moslem inhabitants. As part of the social provisions of the Mubarak regime, among others the foodstuffs and energy price level were kept low. This was a matter of life and death – and it is even today – for more than 10 million social strata of the local population having low income. Otherwise the state of emergency and the general, almost a control of a police-state, was not particularly disturbing for the foreign tourists and businessmen. Due to the low prices, respectively the increased control, the measures of the public security both for the foreign tourists and businessmen arriving to the country could enjoy it as peculiar, positive externalities.

The national economy of Egypt, before the beginning of the changes, stood on specifically firm bases. The structure of national economy based on the contribution to the annual GDP in 2010, the last full year of the Mubarak regime, was the following, according to the major branches: agriculture: 14 %, industry: 38 %, services: 48 %. From the aspect of employment, the proportion of the agrarian and the industrial sector was essentially different from the latter, almost inverse: agriculture: 32%, industry: 17 %, services: 51 %. The hydrocarbon reserves of the country, the amounts rolled in, from the usage of the Suez Canal and the annual 10-12 Billion USD income deriving form the potential of tourism created stable base
for the development of the economy. All these increased the growing performance of other branches e.g. the textile industry and the agricultural export, and the foreign direct investments further increased.

Egypt survived the years 2008-2009 of the world crisis without considerable losses and due to the economic reform process, which had started from 2004, and was hallmarked by the name of Prime Minister Dr. Ahmed Nazif. The growth of the gross domestic product in the preceding 10 years reached 7-8 % in average, and it was reduced only by 2-3% on the effect of the international economic crisis that broke out in the autumn of 2008. The most important export articles of Egypt in 2010 were the hydrocarbon derivatives with 51 %, industrial finished products representing 38 % (textile, clothes, footwear), further cotton and other agricultural products. Its major imported products were: machines and mechanical equipment, foodstuffs, chemical substances, wooden products, fuels. In the Egyptian economy - besides the export of goods - the incomes of tourism, the tolls paid by using the Suez Canal and the foreign remittances (mainly the transfers of the Egyptian guest workers) meant the main sources of incomes.

The Revolution and the first military government

In case of Egypt, in big cities of the country (Suez, Alexandria) – unlike earlier demonstrations during the rule of Mubarak some demonstrations of great importance arose which could not be kept under control by the police. The main trigger was the rise of the prices of foodstuffs, the planned suspension of consumer price subsidies for bread and other basic commodities. However, in the background several motives could be traced: unemployment, low minimum wages, holding out of poor prospects, especially among the members of the young generation. However, the claims of the mass demonstration in the street almost immediately overgrew the merely economic issues. The first claim was that the president and his clan should leave immediately, further on the basis of the above explained reasons the extorted of setting aside the profound political reforms.

The subsidy system of consumers’ prices is one of the biggest item in Egyptian budget as it took (and event does till now) around 13% of the GDP. Even during the fiscal year between 01. 07. 2011 and 30. 06. 2012 the subsidy for foodstuffs and energy was 18 Billion USD. (Rohác, D. 2013) In addition, there were a number of factors of social tensions like unemployment, low minimal wages, lack of perspectives especially among the members of the young generation. In their study Doaa and Zaazou point out that the public opinion considers around 40% of the Egyptian population living under the threshold of poverty (under 2 USD per day income). However, the World Development Indicator – based on data of the year 2011 and other sources - considered this level „only” 17.5 – 23% between 2005 – 2010 but shows an increase and extends to around 20 million people (Doaa S. Abdou, Z. Zaazou
In his study Tarrósy (2006) recalled the world rank list of Human Development Report in 2005 which – in a comparison of 177 countries – listed Egypt to place No. 119 within the medium-developed group of countries (Tarrósy, I. 2006).

The claims of the people who went to demonstrate to the streets were first economic-oriented, but soon extended towards radical political demands, like the prompt resignation and leave of President Mubarak, which should be followed by thorough political reforms. The police endeavoured with excessive forces to subdue and to extinguish the demonstrations to such an extent that due to the rough infringements done during their appearance President Mubarak disbanded the police force, then the defence of the public buildings and establishments for public purposes were taken over by the army. Still at the end of January a partial reshuffle of the government was implemented. However, this was not considered as sufficient change neither for the society nor for the rational international opinions. As a result of the continuing demonstrations Mubarak renounced on the 11th February 2011, and the power was temporarily taken over by the army. In the provisional period, started after the takeover of Cairo the Supreme Council of the Armed Forces (SCAF) became the centre of power. Field Marshall Mohammed Hussein Tantawi, Minister of Defence and Military Industry, came to the fore of the nineteen member corporate body which had a key position in Mubarak’s disposition and earlier it stood under the guidance of the head of state. The General provisionally took over the capacity of the head of state as well (Gazdik, Gy. 2012).

Tantawi dissolved both of the houses of the Parliament and respectively appointed a managing (acting) government under the leadership of Ahmed Shafik, in which several ministers of the previous system of government were having positions, too.

Presidency of Morsi, and the Moslem Brotherhood

The presidential election – which had been postponed several times by the military government – finally took place on the 16-17th June 2012. At that time, the economy showed some signs of a slow stabilization. The election, which was relatively fair, resulted in the victory of Mohamed Morsi with 51.7 % of the votes as the candidate of the Moslem Brotherhood group which represented the Islamist line. (Morsi, formerly worked as professor at Zagzag University as head of the engineering department, and he even used to live and work in the United States between 1982 and 1985.)

During the presidency of Morsi which lasted nearly one full year he was not able, or perhaps he did not even strive to preserve the unity of the Egyptian nation. The inhabitants of Egypt above all revolted against the regime of President Mubarak with the aim of obtaining human rights and better living. The revolt was not organized for reaching the moderate Islamic majority and for the approximately 10 million Coptic Christians’ minority living previously together peacefully serving as a base. However, the secularized social arrangement based on Islam should have been changed by a newer dictatorship. Morsi’s international acceptance
was generally negative too in spite of the fact that he reached power by democratic elections. To the gaining ground of the radical Islam to inner division even to the possibility of eventual revision of Camp David Accords, not only the international community and the Christian minority but even the moderate Moslem inhabitants of the country looked at it as a risk factor of a grave destabilization.

It became clear soon that Morsi himself, and all the Moslem Brotherhood movement became divisive and was able to polarize the society. They enjoyed the support of a significant part of the society, but, at the same time, many people opposed his presidency who started protesting demonstrations, which became more and more frequent and far-reaching. On 30th June 2013 – on the first anniversary of Morsi’s taking office – 14 million people in total proceeded in the streets all over Egypt – reclaiming the immediate resignation of the president. The demonstration was peaceful at the beginning, later it became hard claiming numerous deadly victims. In parallel with the above, in certain parts of Cairo, demonstrations for Morsi’s party took place, which also led to violence. After Morsi’s communication that he was not willing to resign from his office the events were continuing to escalate.

**The second military government**

On the 1st July 2013, the number one leader of the army, General Abdul Fatah Al-Sisi claimed Morsi in an ultimatum to renounce. After the deadline of the ultimatum had passed, Morsi was relieved and placed to custody, and later ha was even jailed. He and his responsibility will be investigated by the court (the first trial of his case was held in November 2013 but it was postponed until the beginning of 2014). In parallel with all the above several other leaders of the Moslem Brotherhood were arrested too. The army suspended the constitution of the country. Moreover it entrusted Adly Mansur the Head of the Supreme Court to temporarily take over the presidency until the Egyptian people will decide about the new president in the forthcoming new elections (which are to be announced soon).

The Moslem Brotherhood, having approximately one million members, was prohibited in September 2013 with the motivation of having instigated Mohamed Morsi’s devotees for violence as he had been elected as its candidate then such an overthrown head of state who was turned down by the army. Following this – just until now – the circumstances seem to be stabilized again. In the last week of September 2013, the previously suspended international charter flights were launched again and today it can be witnessed that the foreign tourism into Egypt has been rising although to a moderate extent.

It is worth to mention that the way of removal of Morsi and the Moslem Brotherhood from the power was judged negatively by the international community. For instance, in November 2013 a tension emerged between Cairo and Ankara, which resulted in the mutual expelling of ambassadors. The direct reason of this was the series of declarations of Turkish Prime Minister Recep Tayyip Erdogan (he is the head of state of Turkey at present) who sharply
criticized the dismissal of President Mohamed Morsi and the oppressive measures against Islamists. He added that he could not respect those who gained power by coup and claimed that Morsi should be released. He underlined that he did not speak against the Egyptian people but for the democracy, however the spokesman of the Egyptian foreign ministry declared the words of the Turkish prime minister as interference in the domestic affairs of Egypt which in addition „provokes the people and supports such forces which would undermine the institutions of democratic Egypt” (Ahram online, 2013). After all the actions of the army, especially its role played on 3rd July 2013 does not comply with the declared political goals, it could rather be a sign: the generals – like in the past – rather wanted to avoid the emergence of competing centres of power which could happen as a result of a democratic developmental scenario. (Besenyő, J. – Miletics, P. 2014.)

From General to President

The recent chapter of the post-Mubarak era in Egyptian political and social life started with the presidential election (26 – 28 May 2014) when the majority of voters elected – with a ratio of 96.91% - General Abdel Fattah al-Sisi, the former head of the armed forces as the new and legal head of state of Egypt. However, the official turnout was only 47.45 %, far less than Sisi expected before. Therefore, the legitimacy of the new president in the Egyptian society has been dubious from the first moment.

The election and its outcome was sharply criticized by the Moslem Brotherhood which denounced the election calling it "the election of blood" and liberal and secular activists, including the April 6 movement, dismissed the polling.

Even though the United States and Britain claimed they looked forward to working with Sisi, the United States expressed concern over the "restrictive political environment" in which polling was held. The US urged the new president to carry out human rights reforms. However, Sisi, right after his election claimed that “it was now time to work” … (Sisi Declared Winner … 2014), but the programme was still not clear by which the new president wanted to lead out the Egyptian society and economy from the preceding years’ stalemate.

After suffering its worst economic crisis since the 1930s, Egypt under President Sisi managed to draw international attention to its reforms and recovery. At the beginning of 2014 the indexes of Cairo Stock Exchange increased and reached their highest value of the last 3 years.

In the first six months of Sisi’s presidency it seemed that Egypt was on the right track. Most of the macro-economic figures, like unemployment improved, the previously halted foreign tourism inflow re-started. It also looked as if Egypt – with new foreign capital injections (mostly from the Gulf-states) would be able to start progress.

The fact that Sisi as a former general became president is nothing new in Egypt where the Army has always enjoyed a distinguished power and role, even since the Pharaonic ages.
Furthermore, Sisi is not the first high-ranking officer who became the head of state in Egypt. He followed the way of Mubarak, Anwar el-Sadat and Gamal Abd el-Nasser. In addition, the Army used to enjoy high popularity among people. (This was the reason why President Mubarak – in the first days of the Revolution in January 2011, after the first harsh police attack against demonstrators in Cairo – dismissed the police forces and asked the Army to restore the public order and a few days later he vested his power to the head of the Armed Forces.) But today, as a new phenomenon, it seems the Army visibly lost its prestige and popularity among the people.

The Main factors of destabilization

It is worthwhile to summarize the main factors and reasons which led to general disappointment and dissatisfaction with President Sisi’s administration.

Shrinking political and human rights

The government shows strong commitment to combatting against the extreme political and religious movements including the agents and activists of the Islamic State, which appeared in Egypt. This attitude is used against all those who openly show support and sympathize with the outlawed Moslem Brotherhood and the former President, Morsi, who – in the meantime - has been sentenced to life imprisonment. The armed forces have been crushing down demonstration with increasing violence. It has reached such an extent that it cannot just be considered as a kind of “over-reaction” of the authorities but as a conscious and oppressive stance.

The Telegraph quoted Philip Luther, Amnesty's Middle East and North Africa director who said "Enforced disappearance has become a key instrument of state policy in Egypt. Anyone who dares to speak out is at risk." (The Telegraph, 2016).

After all it is contradictory, that Sisi who became a “civilian” president of Egypt left nearly absolute power in the hands of the armed forces. In fact, the Sisi administration applies strict retaliation against all who criticize or even question the role and actions of the armed forces, especially towards supporters of the Moslem Brotherhood.

The economic recovery is dubious and hits the poor the most

By the summer of 2014 it became clear that Sisi’s administration, while launching its roadmap of economic recovery found the easiest way how to restore the balance of the national budget and the current account deficit: the government started to implement a series of cuts on the subsidy system and in parallel started to raise taxes. As a first step, on 5th July 2014 a 40-70% rise of fuel prices was announced, which was shortly followed by the increased prices of natural gas and electricity. It seems that the Sisi-administration is strongly devoted to the decomposition of the subsidy system of the consumers’ prices. They announced also that the subsidies received by the energy sector would be cut by 67% in the course of 5 years.
On 29 August 2016, the Egyptian Parliament approved the introduction of the value added tax at a rate of 13 percent which was raised to 14% from January 2017.

While Sisi administration focused on the macro-economic recovery as Egypt its most important goal was to disregard the fact that nearly half of the Egyptian population lives in deep poverty (up to 2 USD/day income). The restrictive steps to restore the balance of the budget and the current account hurt most heavily the vital interests of those in deep poverty.

While it looks the poorest segment of society feels and pays the price of the recovery the most, there are no signs of the elimination or at least the mitigation of the social problems. However, some of its macroeconomic figures of the Egyptian economy are still not bad. For example, the ratio of public debt to GDP decreased slightly, from 93.7% to 91.7% (2014/2015) (CIA World Factbook, 2016) but according to analysts, it is still close to bankruptcy.

*Table 1. Some of the main macro-economic indicators of Egypt 2011-2016*

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<tbody>
<tr>
<td>GDP (bn USD, current prices)</td>
<td>247.7</td>
<td>275.8</td>
<td>285.4</td>
<td>301.4</td>
<td>330.8</td>
<td>na</td>
</tr>
<tr>
<td>Per capita GDP (USD)</td>
<td>3,081.2</td>
<td>3,346.5</td>
<td>3,370.0</td>
<td>3,476.3</td>
<td>3,740.2</td>
<td>na</td>
</tr>
<tr>
<td>GDP PPP (bn USD)</td>
<td>887.3</td>
<td>923.7</td>
<td>958.5</td>
<td>995.8</td>
<td>1,047.9</td>
<td>1,092.6</td>
</tr>
<tr>
<td>Per capita GDP PPP (USD)</td>
<td>11,035.8</td>
<td>11,210.4</td>
<td>11,316.7</td>
<td>11,485.0</td>
<td>11,849.6</td>
<td>12,113.1</td>
</tr>
<tr>
<td>GDP growth, annual (%)</td>
<td>1.8</td>
<td>2.2</td>
<td>2.1</td>
<td>2.2</td>
<td>4.2</td>
<td>3.3</td>
</tr>
<tr>
<td>Current account balance (bn USD)</td>
<td>-6.1</td>
<td>-10.1</td>
<td>-6.4</td>
<td>-2.4</td>
<td>-12.2</td>
<td>na</td>
</tr>
<tr>
<td>Current account balance (GDP %)</td>
<td>-2.5</td>
<td>-3.7</td>
<td>-2.2</td>
<td>-0.8</td>
<td>-3.7</td>
<td>-5.3</td>
</tr>
<tr>
<td>Inflation (annual %)</td>
<td>11.1</td>
<td>8.7</td>
<td>6.9</td>
<td>10.1</td>
<td>11.0</td>
<td>9.6</td>
</tr>
<tr>
<td>Unemployment (%)</td>
<td>10.4</td>
<td>12.4</td>
<td>13.0</td>
<td>13.4</td>
<td>12.9</td>
<td>13.0</td>
</tr>
</tbody>
</table>

*Source: DFAT, 2016*

Table 1. shows that the economy has still been growing at 3-4% annually, however at a negative and growing current account balance.
The level of foreign reserves in October 2016 reached almost 20 bn USD. It is somewhat higher than most of the preceding 5 years, however it is only just half of the sum that Egypt had in the last days of the Mubarak regime (around 38 bn USD).

**Figure 1. Foreign reserves of Egypt 2006-2016 (M USD)**

*Source: Trading Economics, 2016*

**Figure 2. Tourism in Egypt 2006-2016 (in thousand people)**

*Source: Trading Economics, 2016*
The arrival of foreign tourists was hectic and followed closely the political events and regime changes in the last 5 years. At the moment, it is quite low again, and it is also visible that since 2011 it never reached the level of the last few years of the Mubarak regime.

According to analysts the Egyptian economy would need higher annual growth to adsorb all the cc. 600 thousand new job seekers (Barsoum, G. - Ramadan, M. - Mostafa, M., 2014).

**Prestige-projects**

The government has been pushing forward several large and costly projects while Egypt is still struggling with difficult economic and social circumstances. The Sisi administration considers these as ambitious investments, which establish a better future for Egypt. But many people think that these projects, however useful they might be, are not needed right now as they mean additional burden to the taxpayers and some of them are not beneficial or may have negative implications. It is also added that the Egyptian public attribute these projects with corruption issues leading to the highest level of politicians.

Two of the most prominent examples for such “pet projects” are as follows:

**The Second or New Suez Canal Project**

Goals:

- Significant shortening of the waiting time and passing time for the ships.
- Duplication of the number of vessels crossing the Canal (from 48 to 97 per day).
- To increase the income deriving from the use of Suez Canal by 2023 (from the present 5.3 bn USD to 13.5 bn USD).
- To facilitate the economic development and job creation in the surrounding region (Suez Canal Authority).

Concerns:

- Mainly from domestic financial resources (8.2 bn USD) – harsh additional restrictions on the people.
- The new canal is not a full alternative, leading in parallel along with the old canal, but it is just a 72 km long section.
- There is no guarantee that the global trade will annually grow at 3.4% as it was predicted in the project plan so return of the investment can be longer.
Bridge over Gulf of Aqaba - The King Salman bin Abdel Aziz Bridge

Goals:

- To establish direct public road connection between the two countries or even between two continents at the entrance of Gulf of Aqaba. This project was planned long ago, even during Mubarak’s period but it was suspended the project in 2005.

- In April 2016, the two heads of state agreed in the continuation of the project. (The previous project proposal counted with a 10 km long bridge at a cost of USD 5 bn, which should have been financed mainly by Saudi sources.)

Concerns:

- Hampering navigation.

- Environmental, marine-biological implications.

- The project will be coupled with handing over Tiran islands to Saudi Arabia (which is a very sensitive issue in itself and has already generated public anger).

CONCLUSIONS – FUTURE CHALLENGES

After almost six years following the revolutionary movement referred to as the “Arab Spring” Egypt is still in a difficult situation and it seems it arrived at crossroads. Egypt – luckily did not follow the Libyan and Syrian patterns – is still unified in terms of government administration. However, it is nearly just the only “achievement” as the economy is far from full recovery. Furthermore, the economic and chronical social problems have deepened, the trust from the foreign tourists and investors is still missing.

President Sisi tries to lead Egypt with strong hands and his methods seem to be more and more autocratic. There are no traces of any development in the field of democratic values and human rights. Furthermore, the behaviour of the authorities is intolerant and violent, just as it used to be during the Mubarak regime. So, the standard of democracy and human rights is already similar to which used to be typical during the Mubarak regime – but without its social policy that gave a protective net for the poor.

One may raise the question: Did the Revolution of 25 January (2011) have any achievement at all? What did Egyptian people benefit from ousting President Mubarak? A general fear to freely express opinion (if it is different from the official standpoint), and at the same time deepening social problems and growing economic burden on people does not look really promising. So far, all this led to a general mistrust towards President Sisi who needs to be very careful. He is still in the position of peacefully leading Egypt out from this critical situation, but has to be
aware that Egypt is following the wrong track. The main question many Egyptians ask is: can there still be a way for reconciliation or the eve of a new revolution has come about?

References


Other Sources


