

Report

Lessons Not Learned: Trading Democracy for 'Neoliberal Militarism' in Egypt

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The scope of Egypt's army - the largest in the Arab world - extends far beyond military operations [Reuters]

Abstract

Like his predecessors, Abdel Fattah el-Sisi is reverting to the twin strategy of use of economic liberalization and coercion against religious extremism as devices to delay democratisation in Egypt. The report argues that past experience indicates that neither economic prosperity nor stability will result from this old strategy. On the whole, it concludes that el-Sisi's Egypt is sliding back into use of and dependence on autocratic management of politics and economics.

Introduction

The significance of the Egyptian government's latest bold decision of cutting energy subsidies goes beyond the contested economic short-term impact on the future of democratisation and stability in Egypt. Though the rolling back of subsidies might be applauded by Egypt's donors and international financial institutions, without a coherent economic vision, serious institutional reform and forthright anti-corruption drive, it is doubtful whether this strategy would succeed. What is certain is that its impact will only exacerbate the already poor conditions for millions of Egyptians and fuel the public discontent among wider sectors of society. Mubarak has used economic liberalization and war against religious extremism as excuses to delay democratisation. Decades later, Egypt achieved neither economic prosperity nor stability. El-Sisi's use of the same failed strategies of trading uncertain economic growth for democracy and human right is unlikely to improve political and economic conditions in Egypt.

Egypt's use of economic liberalization without democratization invites comparison with countries that sacrificed democracy and rule of law for economic growth. The examples of Chile and China may be useful in this context. However, Egypt had already treaded this path without much success. Similar to Augusto Pinochet of Chile, who used military rule to impose neoliberal economic reforms in 1973, Egypt has already gone through severe and controversial economic liberalisation program since the 1970s. Its explosive mix of neoliberal economic policies and repressive authoritarianism generated profound grievances that turned into massive popular uprisings that toppled Hosni Mubarak in 2011. China has a central political party, strong bureaucracy, control over corruption, and a working distribution system, while Egypt is devoid of all of these. Egypt cannot replicate the Chinese model given its lack of strong state institutions, driving political forces, and social consensus. The greatest disappointment of Egyptians after years of sacrifices since January 2011 would be falling into the vicious trap of neoliberal militarism and absence of balanced and sustainable economic development. (1)

Putting the cart before the horse

It is no secret that el-Sisi has never promised to deliver democracy to Egypt, not before 25 years at least, as he himself declared during the election campaign. (2) Until now, el-Sisi's economic vision is not clear, and with no written economic platform that illustrates and documents his economic perspectives, one has to rely on media interviews and reports of closed meetings that transpire to public. El-Sisi believes that democracy will come to Egypt only when the country's GDP reaches \$5 trillion U.S. dollars (Egypt's GDP was \$271 billion in 2013); (3) the economy will grow if workers just work harder; investments will come if businessmen give to the country, by exhibiting sincere motivations; and the economy will be stimulated if international donors provide aid 'unconditionally'. This vision is flawed economically and is politically detached from reality. Besides fiscal reform, el-Sisi does not seem to see the urgent need for fighting corruption and undertaking massive institutional reform. This is essential for good governance measures, political accountability, rule of law, and inclusive democracy—all policies that el-Sisi is overlooking.

"The war on terror" rhetoric will not hide the rudimentary economic vision of el-Sisi for long. Since his emergence to the political scene in July 2013, no public economic advisors have been associated with him. He systematically throws economic 'romanticism' at his audience with little or no scrutiny from the pro-regime media or economic experts. El-Sisi sees, for example, that "Egypt needs 3 to 4 trillion Egyptian pounds (\$420 to 570 billion) to fix its problems." (4) He never mentioned the basis on which he made this estimate or the potential projects to which he will allocate the

money. The only related statement was that he intends to “double the GDP in two years,” that is, achieving 50 percent annual growth, which is impossible and unrealistic by all measures. This inaccuracy and vagueness includes the Suez Canal project, which he appropriated from previous regimes, as it is unclear how much it will cost exactly (4, 8 or 50 billion EGP, as was reported in several government sources) how long the implementation process will take (5, 3 or 1 year) and what are the projected annual revenues of the project. During his presidential campaign he spoke vaguely of solutions to unemployment as he suggested the government would distribute trucks to unemployed youth in order to supply goods to urban markets, which would generate 3,000 jobs (the number of Egyptians officially unemployed was around 3.7 million in 2013) in a startling simplification of one of Egypt’s chronic and structural economic dilemmas. (5)

A robust economic success is almost impossible in the absence of transparency, participation, and shared data, plans and policies, even under the pretext of “national security secret,” as Sisi once classified these national projects. (6) Even authoritarian regimes need minimum levels of transparency for generating public support and enabling accountability for public projects. El-Sisi addressed Egyptians after the last price increases, asking them to be patient as the country is in a “state of war inside, and outside.” (7) The lack of participatory democratic institutions and the non-inclusive approach for decision making and for setting the economic priorities will neither help the current regime stabilize its rule nor achieve satisfactory economic success for the majority of Egyptians.

El-Sisi’s economic trilogy

Throughout his media interviews and meetings, el-Sisi’s economic discourse revolved around three axioms: hard work, sacrifice, and international support to lift the Egyptian economy out of its current turmoil. In addition to its vagueness and lack of visionary framework, the proposed policies are simplistic, overemphasising quantity over quality, and missing any potential for sustainable economic reform.

El-Sisi’s conception of hard work is that public servants should start work at 7:00 a.m. Again, he fails to make reference to any logistical complications, the substance of work needed, or the absence of positive incentives for workers such as fair wages and decent work conditions. (8) He seems focused on the workers’ responsibility and neglects the business owners’ responsibility. He reveals his views on this issue by saying, “People are striking for salary raises and are not working. This is not a problem; they can suit themselves and not work. We have others who can fill in, but without one cent increase.” (9) This reflects a deep disregard for workers’ rights and demands and a lack of

appreciation for their difficult financial and living conditions that they have endured for many decades.

El-Sisi expects workers to give the fruits of their hard work and businessmen to donate to the Egyptian economy via an opaque process named "Long Live Egypt." Since the early days of his presidential campaign, he has tended to pressure well-to-do businessmen to donate significant amounts of their wealth to "Egypt." He insisted that \$50 billion would not be enough for him and he wanted this huge amount of money "to be at his disposal outside the state budget." (10) To set an example himself, el-Sisi claimed to donate half of his own salary (\$6,000) and wealth (estimated at \$4.2 million). (11) To everybody's surprise, he did donate, but only \$71,000 (approximately 1.6 percent of his wealth), which confirmed many Egyptians' skepticism of the seriousness and transparency of the process. (12) Without transparency and specific and publically declared goals for such donations, and without a clear economic vision, the response from businessmen to his initiative was lukewarm, at best. Contrary to Sisi's expectations, Naguib Sawiris, the Egyptian financial tycoon and one of Sisi's initial supporters, questioned how the initiative would address two of the most salient problems facing Egypt: poverty and unemployment. (13)

In all of el-Sisi's interviews, there is no mention of the sources of funds needed for his economic plans, aside from the international support from Gulf States (which now exceeds \$20 billion) and the International Monetary Fund (IMF). He has recently announced that "one of the Gulf countries has been supplying Egypt with \$900 million monthly, and this cannot go on for long." (14) It was announced that the Gulf countries, with the help of some European countries, are planning to hold a donor conference to support the Egyptian economy. (15) Contrary to his verbal acknowledgment, however, el-Sisi's concrete steps to make the Egyptian business environment conducive to local and international investment are absent.

The missing pieces of economic reform: institutional restructuring and fighting corruption

Economic reform and liberalisation have been used as pretexts for military dictatorship like in Pinochet's Chile, Suharto's Indonesia, and in Ben Ali's Tunisia. However, it should be remembered that Egypt has already been liberalising its economy since the 1970s when it opened the economy to foreign investment, relaxed interest and exchange rates, privatised the public sector to a great extent, freed prices, and floated the pound. Still, Egypt needs urgent and radical economic reform. The question, however, is what kind of reforms does Egypt need the most? The most critical ones are fighting corruption, shoring up state capacity and enhancing the competitiveness of the economy in order to

create sustainable jobs to absorb the high unemployment levels. Deepening and institutionalizing the reforms necessitates introducing progressive taxes in order to fund educational and health systems that both support the growth and social justice.

Contrary to what is urgently needed, the current government deprioritizes institutional reform and fighting corruption. In a television interview prior to his election, el-Sisi said, "Be gentle in your criticism of officials, they are humans and have families. Give them four months before judging them, and instead of defamation, just whisper to his [the official] ears." (16) In support of this position, el-Sisi reiterated the same views in another meeting with party leaders: "The state consists of institutions. These are cornerstones. The judiciary is a cornerstone, so are the interior ministry and the media. The army is the pillar and backbone of the state. Any reference to cleansing or restructuring these institutions hurts, weakens and dismantles them. It disintegrates the entire state. These things we will never do in order to protect these institutions and protect the entity of the state." This impunity extends to the military as he said: "The army is a beautiful and respected institution. Nothing called oversight over the military. This kind of talk hurts it." (17) El-Sisi's position as the 'custodian of the state' institutions is not expected to allow him to change them if he wants to pursue tangible reforms to eliminate corruption or red tape, especially with regard to the military.

His expectations from the military go beyond merely doing business as usual. Having allocated additional funds to military spending by 28 percent immediately upon coming to power and the retirement pension of military personnel by 10 percent, he expects the military to lead development and to back him and the government in critical moments. In the long run, el-Sisi capitalises on the military's reputation of discipline and getting things done to justify the military's encroachment into civilian business domains and civilian public space. Since July 2013, military companies have received contracts for more than 10 billion Egyptian pounds (equivalent in US\$?) in various economic ventures. (18) In the short run, the military is backing the government by absorbing gaps that resulted from worker strikes or other shortages. In the aftermath of rising gas prices, for example, the military announced that its buses would substitute private means of transportation and that it would supply the market with huge quantities of affordable food staples. (19) While the country might appreciate the military's short-term emergency interventions, long-term interference will not be cherished as much. Negative strategic ramifications are expected, including crowding out of civilian business, depriving the national budget of tax resources (because military business is tax-exempt), and fostering further corruption and unaccountability in both civilian and military business. For an angry public that has been waiting a long time for fruitful reforms, following the same painful austerity measures without significant changes in

economic policies to address structural dilemmas within the Egyptian economy is not likely to bring either growth or stability.

The illusion of statehood

Since July 2013, el-Sisi has been a key, if not the key, player in the Egyptian political scene. He banned the Muslim Brotherhood, rounded up its leaders along with the revolutionary youth, undermined the political parties, and allowed the media to create an atmosphere of a personality cult around him. All was done in the name of averting civil war and restoring the state, which in fact no longer functions as a rational, non-partisan and non-ideological entity but rests mainly on coercive institutions, such as the security apparatus and the military, aided by the judiciary and the media. Egypt is increasingly becoming ungovernable and fragile according to the 2014 Fragile States Index where it ranked the country at 31 amongst 177 countries (the closer to the top the closer to failure). (20) Such authoritarian tendencies make it difficult for a healthy and competitive polity to emerge. With el-Sisi's polarizing discourse and fear-building repressive measures, it is hard to reach a consensus or achieve stability. His disregard for lawmaking and representative institutions, like the parliament, will further shrink his support base and discourage investors. He might keep himself afloat through the institutions of coercion and through regional support and the international complicity, but this situation might not be sustainable for long.

For more than a month since his election, el-Sisi has not announced a presidential team that would assist him in developing policies and running the country. Such a step could give a positive signal that a sort of a participatory or collective decision-making process exists. Except for his former aides at the ministry of defense who moved with him to the presidential palace, few civilians have come to the forefront as advisors or policy-makers. His newly formed cabinet is hardly one of technocrats, as most ministers have been recruited from among aging civil servants and with only a few being experts in their respective fields. It is a cabinet of "muwazzafeen" (state bureaucrats, not technocrats) or would-be secretaries who are readily willing to implement orders (from el-Sisi, of course), more than initiate policies. These personalistic tendencies are evidenced by el-Sisi's own statements as he warned party leaders: "I get upset when I am criticised." His openness to other views is questioned as well. In the same meeting, he responded to a suggestion to reform institutions instead of privatising it by saying: "Don't all of you think that you can propose a solution that we don't know or we didn't think of. Our problem is not to find solutions, our problem is money." (21)

On several occasions, el-Sisi expressed disrespect for political institutions and the democratic process. This will likely hinder his ability to achieve the social consensus

necessary for political stability, domestic and foreign investment, and economic development. Prior to the election, when party leaders inquired about his program and plans once he gets elected, el-Sisi exclaimed, "What elections! The people want me. I didn't want to be here. I am not expecting victory or defeat. We have already started working." He then gave examples of infrastructural projects that he had already been working on and had assigned the army to implement. In the same vein, Sisi admitted to political parties leaders that he was "not going to wait for a parliament. People will not wait for me until a parliament is elected. I will work before a parliament is in place." And indeed he did. One of his earliest decrees upon becoming president was to form a "Supreme Committee for Legislative Reform" that is headed by the prime minister and consists of ministers, judges, and legal experts to suggest laws. (22) It is worth noting that under Adly Mansour, the interim president who el-Sisi appointed managed to issue 28 laws. In the last two days of Mansour's term, six of these were issued. (23) With such an upper-handed and personalistic style of rule, the parliament is expected to be a "rubber stamping" institution primary function of which is to pass laws for the president and his government. El-Sisi will subordinate parliament's role to legislating on-demand and not monitoring his powers or exercising necessary oversight of the government.

In his meeting with party leaders, el-Sisi stunned them by raising the following question: "Why are you so many and why don't you think seriously of merging in two or three parties and we all work together?" He directed this question to a wide variety of "loyalist" parties (around 12 parties) that run the full gamut of liberal, right of center religious, Salafis, leftist, and pro-Mubarak tendencies. Naturally, these parties do not share a common ideological orientation or similar interests. But the question in itself is revealing. It reflects el-Sisi's limited understanding of the concept of pluralism and his negative view of the need for political parties. It also underscores his lack of appreciation for the role of parties as representative of competing interests in society and as serious opposition to the government. It also shows his peculiar understanding of "inclusiveness," as he expects all political parties to merge and work together with the government. Remarkably, this "organic" view is reminiscent, if not of authoritarianism, at least of a by-gone corporatist mentality.

Conclusion

Focusing on austerity measures while ignoring the need for inclusive and inspiring economic vision, conducting necessary institutional reforms, and fighting corruption is missing the fundamental component that has been long overlooked since Egypt pursued market and economic reforms in the early 1970s. With such centralised control over policymaking in reshaping the social contract between the state and society, not only the poor will be ignored, but the middle class will also be negatively affected, thus breaking

the terms of the social contract that Egypt has had since it became a republic over six decades ago. The resentment resulting from disempowering the middle class may not lead to another uprising in the near future in the absence of massive mobilisation and severe state suppression. Until a critical mass forms, the more likely outcome is that the hard-pressed, marginalized majority of Egyptians would engage in silent civil obedience that furthers state fragility and instability.

The absence of economic incentives and the increasing role of the military in business will cause clear distortions in the economic structure and discourage civilian business development. The result of such a situation would be disrupted economic growth, unfulfilled socio-economic expectations, increased economic turmoil, and greater instability. (24)

With an unclear, if not outdated, economic vision, shrinking social support base, (25) and personalistic style of rule, one must ask the question: is it worth Egyptians losing democracy and human rights for unlikely economic success? As for international supporters of the regime: is it worth compromising the rule of law and fundamental democratic values for short-term stability and unguaranteed security?

Sustainable development cannot be achieved without inclusive democracy, rule of law, and meaningful reforms. Even if el-Sisi succeeded, his policies might generate growth, but not balanced development. Ignoring poverty and unemployment, alienating youth, overlooking the parliament, and disrespecting the political process will lead to neither market reforms nor democracy.

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Endnotes

1- Omar El-Shenety, June 28, 2014. "An Era of Neo-liberal Militarism...Likely,"*Al-Shorouq*. Neo-liberalism has been a driving force behind economic globalization and integration into the world economy. It rests on the belief in free market and trade, privatization, individual responsibility, de-regulation, and reduction in government spending. Militarism refers to increased military role and presence in political and economic life through controlling public resources and decision making process.

2- Maggie Michael, 8 May 2014, "Egypt's El-Sisi Tells Media not to Push Freedoms,"*Associated Press*.

3- On May 19th, Abdel Fattah el-Sisi met with the leaders and representatives of main Egyptian political parties that have expressed support to him. During this meeting, General el-Sisi addressed a broad range of issues that revealed his thinking, orientation and style of rule. In this meeting he explained, "If you want democracy and human rights like America, we have to look at their GNP and the number of their population. Their GNP is 15T and population is 300 million. Your GNP is 300 million and population is 90 million. This means that we can have democracy and human rights when our GNP becomes one third of America's. When you achieve that GNP, I am willing to give you democracy and human rights." Author's interview with one of the attendants of the meeting. [clearer reference is needed by indicating date, place of interview – interviewee's name can remain anonymous] Author: I would rather not reveal more information on this interview for obvious reasons. Once I indicate the place and the date, the name of the interviewee will become know.

- 4- Muhsin Simika, "Egypt Needs 4 trillion dollars to fix its problems," *AlMasry Al Youm*. [Arabic] April 14, 2014 [Access date: 19 August, 2014]
 - 5- For the full part on unemployment look: <https://www.youtube.com/watch?v=BsNwXvil-B4> [Access date: 19 August, 2014]
 - 6- For the full part on unemployment look: <https://www.youtube.com/watch?v=pV8lDs3882A> [Access date: 19 August, 2014]
 - 7- Jihad Abaza, July 7, 2014, "We are in a state of war, and we will win: el-Sisi," *Daily News Egypt*
 - 8- His initiative brought fierce debate between the doctors' syndicate and the minister of health when the latter announced that public hospitals would receive patients starting from 7 am. After clashes between patients who believed the minister and the doctors who refused to start at 7:00, the syndicate warned the minister of expulsion from the syndicate if he didn't announce that the normal work hours start from 8:00 am. Unquestionably, the minister complied with the syndicate's demands, leaving el-Sisi's suggestion in limbo.
 - 9- El-Sisi's May 19th meeting with the party leaders.
 - 10- "El-Sisi to the Rich: 50 billion Pounds from you will not be enough for me," <http://dostorasly.com/news/view.aspx?cdate=07072014&id=5dc1bf88-b5da-45af-a9b1-4028355d0f94> Al-Dostour al-Asli [Access Date: 19 August, 2014]
 - 11- News24, June 24, 2014, "El-Sisi donates half his wealth to Egypt."
 - 12- El-Sisi appeared on TV signing the donation check in "pencil."
 - 13- Look the full part of his comments at: <https://www.youtube.com/watch?v=NcYBPCq6BIA>
 - 14- Dostour newspaper, July 8, 2014, "Sisi in victory anniversary: we are in a war."
 - 15- Many experts view the decision to roll back subsidies and increase the price of electricity as a way to facilitate the inflow of outside assistance and regain international confidence in Egypt's economy.
 - 16- AlQuds Al Araby, May 8, 2014. "Sisi: Democracy needs 25 years."
 - 17- El-Sisi's meeting with party leaders, May 19, 2014.
 - 18- Mohamed Soliman, "The Military wins governmental contracts of 7 billion in a month," *Masrawy*, November 24, 2014,
 - 19- The Cairo Post, July 7, 2014, "Armed Forces will offer subsidized goods, provide transportation."
 - 20- Fragile State Index, "Egypt" Fund for Peace Foundation.
 - 21- El-Sisi's meeting with party leaders, May 19, 2014.
 - 22- El-Sisi's meeting May 19, 2014.
 - 23- Nancy Messieh, , "One Year Later: Legislation Issued since Morsi's Ouster," *The Atlantic Council*, July 3, 2014.
 - 24- *Daily News Egypt*: 24 August 2014, "How uncertainty managed to negatively affect the Egyptian economy," Mohamed Nosseir
 - 25- Pew Research Center, 22 May 2014, "One Year After Morsi."
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