

Position Paper

Mursi: the burden of leadership together with a heavy legacy



On 12 August 2012, Egypt's president Muhammad Mursi achieved in one day what many thought it would take years to do. By resolving the issue of the duplication of powers, withdrawing SCAF's governing powers and returning the military to the performance of its core functions, Mursi set Egypt on a path to a transition towards civil, democratic and free governance. But this very step has placed on the president, alone, the heavy burden of ruling a country that had been driven by the former regime to the verge of devastation, and driven by the climate of revolution, freedom and struggle among the political forces to the brink of chaos. Since August, the new president could no longer attribute the lack of effectiveness and slow achievement to the duplication of powers.

Mursi had run for presidential elections with a package of promises to deal with urgent issues which he had been determined to address in his first hundred days in office. In a long and detailed speech commemorating the 1973 war on the eve of 6 October 2012, the president commented on this period of his presidency. He acknowledged that he had been unable to live up to all of those promises. Despite positive public response to his speech, many people held that the figures which he provided regarding his achievements were somewhat magnified. Between the decisive steps of resolving the duplication of powers until his October speech, Mursi's relationship with his people reached its peak. But, it is clear that his popularity began to decline thereafter.

This article will examine some of the difficulties which Mursi is confronting in his attempts to deal with one of the Arab Spring's heaviest legacies.

Fiscal crisis

The scarcity of resources is a chronic problem in Egypt – at least since the birth of Egypt as a modern and independent state in the 1920s. But the problem never reached the level of seriousness that it did in the last decade of the Hosni Mubarak's presidency. In the 1990s, Egypt's engagement in the first Gulf War helped it to ease its foreign debt and to secure a reasonable amount of financial aid from the United States, western European countries and the Arab Gulf states. Nevertheless, its most significant resource inflows were experienced when the state sold off a large number of publicly-owned enterprises to the private sector. These revenues that flowed into state coffers in the 1990s provided an opportunity for significant economic growth, but they also opened the door to corruption which reached unprecedented levels in the first decade of this century, implicating all levels of government and those close to government.

The former regime had an unspoken agreement with its people, especially with the middle class. The state would be the incubator of society's values and protect its foundations, while the population, in exchange, would be silent over the corruption and the looting that plagued the country. In fulfilling this agreement, the regime maintained

massive financial subsidies for energy and basic commodities – especially bread – with twenty-five per cent of the state's overall budget dedicated to subsidies. That, however, resulted in a decline in the public sense of responsibility. The state equally subsidises gas consumed by both the poor and the wealthy, five-star hotels and orphan care centres. Further, in a country that wastes its water resources without accountability and is about to face a serious water crisis due to irreconcilable differences with Ethiopia and Uganda, where the Nile River has its sources. In Egypt, water consumption is calculated in most residential buildings for the entire building as a single unit, allowing people to remain unaware of their consumption or of the money they pay in return.

It is widely held that Egypt's national debt has reached thirty-six to thirty-eight billion dollars. But this figure is only a reflection of its external debt. The past few months have revealed that the country's internal debt reached one trillion and two hundred billion Egyptian pounds, and because the interest rate on the Egyptian pound is extremely high, the interest on the internal debt ranges between twelve and sixteen percent. In general, Egypt's budget is divided into four quarters: servicing the debt; subsidising energy, bread and other commodities; the salaries of six million state employees; and all other state expenses.

This situation cannot continue, and could result in the bankruptcy of the state or could push Egypt into a downward spiral similar to that of Greece. The difference is that Egypt has no European Union that will rush to save it from falling. According to government estimates, the deficit in the public budget will reach 138 billion pounds this year. But a recent government declaration that this year's first quarter deficit had exceeded fifty billion pounds indicates that government estimates are optimistic, and that the annual deficit might jump to over 170 billion pounds.

Over the past few months, Mursi had attempted to seek a low-interest loan of 4.5 billion dollars from the International Monetary Fund (IMF), and financial deposits from friends and Arab states in order to give the central bank some flexibility after a decline in its foreign currency reserves, since the fall of the former regime, from 35 billion dollars to 15 billion dollars. Qatar responded to Mursi's plea by transferring two billion dollars to Egypt, while Turkey transferred another one billion dollars. It is a common cause, however, that this is only a temporary solution and that the crisis is far more complicated than the issue of securing some 'flexibility' for the central bank.

Slow economic growth

Economic growth in Egypt in 2010, just before the eruption of the revolution, had reached 5.1 per cent – lower than that predicted by Mubarak's government which attributed its poor performance to the global economic crisis. As expected, the revolution and the wave of protests and demands which characterised it, combined with the sharp

decline in domestic and foreign investments, led to a significant decline in growth rates. The World Bank's Global Economic Prospects report issued in February 2012 indicated that Egypt's economic growth rate fell to 1.3 per cent in 2011. The report predicted that the growth rate will go up to 3.8 per cent in 2012 and 5.5 per cent in 2013.

It does not seem that the government's economic performance will meet the predictions and anticipation of the World Bank. According to statements by the Minister of Planning, Ashraf al-Arabi, on 13 September 2012, the growth rate in the fourth quarter of the fiscal year 2011-2012 did not exceed 3.3 per cent. He expected that growth will not exceed four per cent in 2012-2013. Given these figures, it would be difficult for the country to address its massive downturn in securing essential services (such as education, health, housing and transportation) or to deal with an unemployment rate of 12.6 per cent – that is, 3.4 million unemployed Egyptians.

Where does the problem lay?

The state is, of course, the main engine of the economy, but public finances in Egypt are not exactly ideal. Beyond that, however, there is something even more complicated. Because of the small portion of the general budget that is available for development, it is assumed that private investment – both domestic and foreign – will play an increasing role in the economic process. Understandably, during the period of political uncertainty following the collapse of the former regime, the private sector was reluctant to invest. However, even after the resolution of the duplication of powers issue on 12 August, there have been no solid indicators of the economy being kick-started. There are a number of intersecting reasons for the lack of initiative on the part of the private sector.

1. A number of Gulf investment groups face legal problems due to irregularities in contracts which were signed during the previous political era. It is difficult to predict the flow of new Arab investments unless such issues are resolved and these groups are reassured by the nature of the relations between GCC and the new Egyptian regime.
2. A large number of Egyptian businesspeople, some of whom are inside the country and others who are abroad and are afraid of returning, have committed different levels of violations in their business practices in the decade of corruption and profiteering during the previous tenure of the previous regime. It is not yet clear whether the new government will attempt to reach some settlement on such cases or if it will, rather, seek legal measures against these businesses. A rapid settlement may save the state billions of pounds and may propel the market forward. But political polarisation and the president's ambiguous stance on this issue might hinder the settlement process. If not, no one can confidently speculate on the outcomes of a judicial option.

3. The country has not completely emerged from the state of chaos and uncertainty. There are still a large number of labour strikes; political forces are yet to reach consensus on the draft constitution; there is still no parliament; and it is unclear how the state's relationship with the private sector will develop.

The daily grind

There is not a single service sector that works satisfactorily or even close to satisfactorily in Egypt. The level of school and university education is at its lowest and Egyptian households spend billions of pounds every year for private tuition for school and university students. Even though health services are supposedly free, Egyptian middle and upper classes barely know the way to public health centre. The transportation sector is also chaotic, not only because Egyptian cities suffer from a worsening traffic crisis, but also because of the absence of decent public transportation services.

President Mursi's promises to resolve the electricity, bread, gas, waste and transportation crises saw mixed achievements. The country no longer suffers from frequent power cuts; the crisis around the state-subsidised bread supply was largely dealt with; and the cooking gas crisis is about to end. However, no one knows whether these solutions are sustainable or temporary. Egyptian oil contains a small proportion of diesel fuel, forcing the country to import its needs of this material. Furthermore, the percentage of butane, which is used for domestic consumption, in Egyptian crude gas is low and, thus, must be imported from abroad to meet the country's demands. Egyptian oil experts say the country's oil production of 600 000 barrels per day has reached its maximum capacity and is expected to decline in the coming years – when an industrial bloom is expected to occur together with the increasing demand of energy.

On the other hand, Egyptians feel that traffic jams have worsened since the president's 6 October speech and that the police presence on the streets is inadequate – despite repeated promises by the minister of interior to address this issue. Meanwhile, old scenes of garbage piling high in the streets are resurfacing. In terms of energy and water supplies, Egyptians pay very little for services provided by local administrations. But there is little confidence in the efficiency and integrity of workers in these departments. The president recently appointed new governors and deputy governors in certain areas, but the lack of trust does not only apply only to governors but also to local councils that have not changed since Mubarak's fall.

Mursi's package of promises for his first hundred days was largely founded on optimistic estimates and a lack of understanding of the magnitude of the problems which threaten to shake up the country. Of course, revolutions usually raise hopes and expectations. Mursi might be able to apologise for not fulfilling his promises in his first hundred days, but how can there be an apology for the days to follow?

Risk of political polarisation

Unless the political reconstruction process is completed, the new political system will not be stable, nor would it be perceived as such. This reconstruction includes the finalising of the draft constitution; holding a referendum; and holding elections for a new parliament and a new senate. Nevertheless, the re-emergence of sharp political polarisation is preventing political forces from agreeing on crucial issues of dispute regarding the draft constitution. Muslim Brotherhood members in the Constituent Assembly attempt to sit on the fence as objections to the first draft that was issued for discussion increase among liberal, leftist and Salafi groups alike.

On 25 October, the president called on scores of political leaders and activists who had been involved in the revolution for a dialogue. Although more than sixty attended, including party members, public figures and political activists, a significant number of party and political figures rejected the invitation. The president cannot intervene directly in the constitution-drafting process or in the work of the Constituent Assembly, but his call for dialogue based on the assumption that it could help create a climate of consensus among the various political parties.

Should the Constituent Assembly fail to finalise a draft constitution within six months – by December 2012 – as planned, the president, according to the decree of 12 August, should form a new constituent assembly. He will have to ensure that the new assembly is capable of reaching consensus on issues of disagreement. The question that remains is: what kind of a formation will please the various political forces, have enough legitimacy in the eyes of the majority and have the ability to complete the draft constitution in the shortest possible time? If constitution-drafting process is delayed, parliamentary elections will be delayed as well, thus leaving the country, the people, jobs and reforms in limbo and awaiting the completion of the political reconstruction process.

Outcomes and recommendations

- It is not yet clear whether President Mursi is fully aware that his task is to sponsor a real revolution, not only to continue with the Egyptian revolution in its endeavour to reform the state and the regime, but also with regard to developing among Egyptians a sense of responsibility – especially responsibility of the middle class regarding their lifestyle, consumption and their relationship to the environment in which they live. The development of a sense of responsibility cannot begin without tangible progress in the reform of the state administration and its vital service sectors. This is a closed circle, of course, and only the president has the power to break it.

- Certain major decisions cannot be made by the president without a parliament representing the will of the people. However, his temporary possession of legislative powers does give him the space to make some decisions that need not await a new parliament. For example, he should direct his government immediately to reschedule its subsidy of energy resources so that it is targeted only the poor, and to put an end to the ever-increasing budget deficit. The president can also appoint a committee of legal experts to establish standards for dealing with businesspeople who perpetrated irregularities. This committee can decide who to settle with and who to prosecute. Thus, this sense of uncertainty which the domestic private sector is facing can end and that way can be opened to attract foreign investment. Perhaps it is necessary that the president evaluates his government by objectively assessing the performance of the prime minister and ministers and how successful they are in performing their duties. There is no doubt that, despite the president's replacing the heads of the central auditing body and the Administrative Development Authority, there is an urgent need for broader and deeper reforms within state bodies which were not affected by the winds of revolution. Of relevance is the need for a reassessment of funds allocated to ministries and government bodies, and a reassessment of the numerous advisers in the various ministries who work according to special contracts and receive massive financial rewards without a clear measurement of their contribution to the management of state affairs.
- One reason why Mursi and his government are hesitant to make radical decisions is their growing fear of the media and of political polarisation. The president has already succeeded in addressing his people directly, over the heads of the political elites and parties. His duty now is not only to clarify the size of the legacy he inherited, but also to justify certain decisions that may seem harsh but can no longer be delayed. In short, the president needs to exercise the leadership that was entrusted to him.

Al Jazeera Center for Studies

Copyright © 2012 Al Jazeera Center for Studies, All rights reserved.