Position Paper

Difficult Decisions: Three Issues in Morsi's Policy

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Image released by the Egyptian Presidency shows President Mohammed Morsi preparing to make a televised address to the nation, Cairo, Egypt. Source: ASSOCIATED PRESS/GRAPHICS BANK.

In a case brought forward by a citizen's objection to the electoral law on 6 March 2013, Egypt's Administrative Court issued a decision to stop the call for parliamentary elections. The amended version refers the electoral law to the Constitutional Court. The first draft of the law was prepared by the Shura Council, which serves as the legislative council until the completion of the parliamentary elections. In accordance with the provisions of the constitution, the council sent the original draft to the Constitutional Court for review. The Constitutional Court had objections and the Shura Council thus made amendments. It did not send the updated version back to the Constitutional Court as a provision outlines that the Constitutional Court is not required to provide a second opinion.

Because President Morsi and the Freedom and Justice Party, the political arm of the Muslim Brotherhood, have since shown keen interest in ending the transitional phase and completing state institutions since November 2012 when a crisis erupted from a new constitutional declaration, the decision of the administrative court to stop the legislative elections has thus been considered a victory for the opposition and a defeat for the president and his supporters. Officially, the decision contradicts the policy that aims to accelerate the institutional certainty that continues to prevail in the country. From a realistic political perspective, however, this resolution benefits the president and his camp.

According to the previous schedule, elections for the new House of Representatives or parliament was scheduled for May or June 2013, and the House of Representatives was to hold its first assembly in early July. Elections, however, will not take place before October or November because of Morsi's demand that the Shura Council amend the law and refer it to the Constitutional Court for a review. The Shura Council must rapidly issue the updated version of the law, and the Constitutional Court must approve it within 45 days as provided by the constitution.

The five or six transitional months are the result of the Administrative Court's decision to stop the electoral process as well as Morsi and his camp's decision, and are undoubtedly significant. After the constitution declared the power-sharing of the president and the

prime minister, and entrusted the prime minister to the parliamentary majority, Morsi needed the support of a majority in the new House of Representatives. The postponement of elections for several months may help Morsi and his government secure the desired parliamentary majority and deal with some of the challenges that they currently face on various fronts.

The following is a summary of the three main issues that Morsi must overcome prior to the parliamentary elections.

First: The Challenge of Political Stability

The internal forces that made up the National Salvation Front's opposition to the president did not amass large popular crowds. The front does, however, include prominent figures in the political arena and certain Cairene members from diverse backgrounds. More importantly, almost all of Egyptian media is funded by the opposition front. The past few months witnessed a state of polarisation between the president and the opposition, sharply reflecting division and instability in the country.

Time and again, the president's attempts to convince NSF leaders to join the national dialogue have failed. Statements have been made back and forth between the opposition and the government. The NSF leaders named a number of conditions that must be met prior to engaging in dialogue with the president. These include the dismissal of the current attorney general that was chosen by the president last November, the dismissal of the current government, the formation of a national coalition, and the formation of a national committee for the development of election laws that are acceptable to all parties. Meanwhile, sources say the position of NSF, which only represents a minority, does not display a desire to start serious dialogue. The manner in which the president will deal with this issue remains uncertain.

One of the president's options is to respond to the terms of the front, especially considering that at least one of these concern the attorney general and could be easily resolved through a judicial ruling. Another option is for the president to completely ignore the opposition and follow his own path towards the elections, hoping that the polarisation and political crowding decrease. A third option is for the president and his camp to persuade the forces and specific members of the front to leave it and take a stance that is less radical and closer to consensus as was the case with Ayman Nour, leader of El-Ghad Party, who left NSF during its earlier days and joined the national dialogue sessions.

There is no indication that the president decided to take a specific route in dealing with this issue despite reports that indicate there was communication between the Freedom and Justice Party and marginal sections of NSF. Furthermore, other reports indicate that the president was willing to dismiss the government if a final national consensus was reached. However, no concrete steps have been taken in any direction. The positions of NSF, in which both Amr Moussa and the Wafd Party seem to have become inactive, still provide some indication that the opposition is more in favour of deposing the president than reaching a national consensus.

Second: The Security Challenge

The progress in the security climate is too insufficient to show citizens, tourism companies, and foreign investors that the state has succeeded in curtailing the growing chaos following the outbreak of the revolution. Given the political polarisation in the country, it is clear that the security challenge pertains to two main issues:

Firstly, it is difficult to differentiate between the uncontrolled political crowding that is seen constantly in the squares and streets and purely criminal activities. The problem is compounded by the fact that criminal elements have used political protests as a cover.

The security issue has left affected all aspects of life and a number of sectors that are already suffering from an increase in crime. There are neighborhoods in the capital and other cities that have lost a significant amount of necessary security. There are frequent incidents of crime on highways, train stations and in the streets. These can rapidly cause any protests to become violent and bloody clashes, potentially allowing for the re-ignition of tension between Muslims and Copts to return.

The security issue reached its peak with the events of the 22nd of March 2013 when a few thousand supporters of the opposition, joined by criminal elements known as baltajiya proceeded to the Muslim Brotherhood's main headquarters in Al Mokattam to protest against what the opposition calls "the Muslim Brotherhood's growing control of the government and the state." Since the call for demonstrations were made public a few days before, a number of young Muslim Brotherhood members gathered around the headquarters to protect it. Security forces were not absent from the scene but still failed to contain the situation. In addition, the region witnessed extremely violent clashes between the two sides, which sometimes even reached the courtyards of mosques, and left dozens wounded.

There was also an outbreak of clashes between Muslims and Copts throughout the first week of April. The problem began with clashes in the governorate of Qalyubia. It is reported that it was caused by young Christians who drew crosses on the walls of the village mosque, and it ended with many wounded and dead from both sides. The fighting, however, soon spread to the capital where crowds of Muslims attacked the funeral procession of the deceased Christians as it left the Coptic cathedral in central Cairo. Again, despite the arrival of security forces in the area of the clashes, they could not contain the situation with the necessary speed and efficacy.

This was not the first example of sectarian tension in the past three decades, or since the Egyptian revolution. But, as in all other matters, political polarisation and the absence of security play key roles in the exacerbation of sectarian tensions in the country. The village in which the last clash occurred had never experienced such an incident between its Muslims and Coptic populations. For a village in the district of Qalyubiya to become the centre of sectarian tension means that no place is currently immune to strife.

The substantial decrease in the state's ability to control the sectarian issue is due to several factors:

1. A significant number of officers in the Ministry of the Interior and the prevailing culture within it are hostile to Morsi's rule. This is not unfamiliar to post-revolution regimes. The president is facing a vociferous opposition and does not want to deal with multiple issues at once. The decision to launch the initiative of reform and restructure therefore still needs to be made, and the initiative still needs to be carried out.

2. Even professional security officers are afraid to fulfill their duty, and are witnessing an escalation of support in favour of their punishment and prosecution after each security incident.

3. The task itself is much greater than the power of the security establishment, as the atmosphere of freedom and political activity has made for the discussion of numerous dormant issues that had been not been discussed for decades.

Third: The Financial-Economic Profile

Only months after his inauguration, the president realised the weight of the burden he bears in terms of the economy and state finances. Secrets of the state apparatus, the largest and most corrupt in the Arab-Islamic Middle East, began to unfold before him and his advisers. Throughout the years, the former regime had followed a policy of

collective bribes toward the people in return for their silence on the unprecedented looting of the country's resources done by the ruling class – a prelude to the hereditary rule of the former president's son.

At the outbreak of the revolution, the state's internal debt reached over a trillion and 200 billion Egyptian pounds. These had interest rates between 12 and 16 percent because the interest rates on the Egyptian pound are relatively high. The debts were primarily employed to finance government subsidies for energy sources and basic commodities, which consume 30 percent of the annual budget. In addition to the foreign debt estimated at $34 billion, domestic debt now exceeds one trillion and 300 billion pounds due to the growing needs of the state since the revolution.

The crisis does not end here. In the past two years, the country has lost billions of dollars, both legally and illegally, from foreign investors and dignitaries of the former regime as well as the business class affiliated with it. The post-revolution governments that were formed by Shafik, Sharaf and El-Ganzouri desperately defended high rates for the Egyptian pound against the dollar, probably in aims to achieve social peace by appeasing the Egyptians and raising their purchasing power. As a result, both factors caused the rapid depletion of foreign exchange reserves and the liquidity available in the market. This threatened the state's ability to import certain vital commodities such as diesel, gas and wheat. Morsi's government attempted to cope with the crisis by liberalising the Egyptian pound. It also requested assistance in the form of financial deposits into the Central Bank of Egypt for short periods from countries such as Qatar, Turkey and Libya. Nonetheless, the issue has not been completely solved. While the infiltration of foreign exchange reserves it the central bank continues, albeit at a declining rate, the Egyptian pound has dropped to levels that have not been seen for over than ten years.

In the short term, it is difficult to solve the crisis without reconsidering the system of government subsidies for energy sources and commodities and a quick loan of $ 4.8 billion, which is being negotiated with the International Monetary Fund. Restoring the levels of production and tourism is also necessary.

The government has already begun to reconsider the subsidisation system but the process has been limited and slow, and the current system has not yet been eliminated in its entirety. The government has also attempted to convince the people of financial discipline to achieve social justice. Negotiations with the IMF have not yet ended. There are some in the president's circle who believe that the IMF has not yet received the green light from the United States and that Washington is using the requested loan to indirectly push the president towards reconciliation with the opposition forces. In order to restore production, the state's judicial, financial, and administrative apparatuses reopened the files of businessmen accused of tax evasion and receiving illegal privileges from the former regime in order to establish financial reconciliation and encourage them to return to the country and engage in business. Financial and economic progress, however, is still slow and the average citizen has not yet felt the effects.

Still, in the second week of April, there were positive developments in the economic issue. The data of the Ministry of Finance indicated a significant increase in tax revenues during the eight months from August 2012 to March 2013 relative to the same period in the previous year. This rise can be attributed to deferred taxes paid by businessmen who took flight or the increase of tax on certain goods. What is equally important is the fact that the non-oil exports in March 2013 increased by 24 percent, which demonstrates the beginning of the recovery of production. The major breakthrough in the financial and economic field though was Qatar's agreement to buy bonds worth 3 billion dollars, and the announcement of Egypt's access to an interest-free loan of 2 billion dollars from Libya. This might be called a trust deposit. Both developments lowered the value of the dollar in the black market against foreign currencies within hours, and created a positive atmosphere in the market. The next step to get out of the bottleneck is undoubtedly to get the IMF loan.

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Interconnected Issues and Difficult Choices

Facing any of these issues is, in itself, a very complex task. Morsi's most complex problem though concerns the overlapping and interdependence of these three issues.

Egypt needs the IMF loan to make up for the budget deficit and strengthen the capabilities of the central bank. It also needs it to enhance the confidence of foreign investors and Egyptian businessmen alike in the country's economic status. The loan alone will not be enough, however, if security continues to decline. Nonetheless, even if the IMF agrees to provide the loan, negotiations between Egypt and the fund will not reach an end without a comprehensive and fundamental reform of the system of government subsidies. But the reforms it requires raise the social cost as unemployment rises and the government will end up eliminating subsidies for goods that are vital to Egyptians. This would increase their grievances and potentially threaten social stability. Until the president reaches a solution to this dilemma, he needs to expand his political base and have a majority accept the burdens they will bear hoping that the government will improve their situation soon.

The reform of the security is another dilemma. If the president defers it, the opposition will use the crimes done by security forces during the revolution to inflame sentiments against him and his government. Still, if he responds to calls for reform, the strikes may cripple the security sector, allowing chaos and crime to prevail. The president needs to resolve this in order to expand his political base and limit the unrest driven by political and social discontent. This would allow him to decrease his dependence on the security forces and be free of the urgent need for them. He would then also be able to repair the sector.

Morsi needs to resolve both security and economic issues to find a solution to the political issue. He would then gain the required consensus that will convince the people to accept the costs of economic reform and reduce the dangers of reforming the security structures. Moreover, in the event of the opposition's victory by a parliamentary majority, the political polarisation may be exacerbated and lead to a government hostile to the president. It would also have the ability through the current constitution to paralyse the function of the executive authority entirely. The state of chaos will then dominate and may affect every stage of the current democratic transformation process.

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