



The Cambridge Security Initiative

EGYPT: PROTESTS AND POLITICAL UPHEAVAL

NOVEMBER 2019

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Marking the most significant unrest Egypt has witnessed since 2013, a wave of dissident videos followed allegations of corruption from military contractor Mohamed Ali. Popular protests in Cairo, Alexandria, and other cities in September and October were ostensibly against corruption and austerity but also indicate a power struggle between the military and the Ministry of Interior (MoI). The fact that protests of this scale were able to make it to the streets under the current hard-line 'state of emergency' security climate is further indication of discord between the police forces under the MoI and the ruling military elite, and suggests the possibility of further political upheaval. For the moment however, thousands have been arrested and the protests successfully squashed. There appear to be few alternatives to President Abdel Fattah al-Sisi's iron grip, but he has certainly lost the popularity he once held.

Egypt is currently enjoying growth rates of over five per cent, not seen since the Mubarak era. Sisi has instituted a number of significant but unpopular economic policies under duress from the International Monetary Fund, cutting subsidies to food and fuel alongside a major devaluation of the Egyptian Pound in 2016. With substantial increases to consumer prices, the Egyptian Central Bank has stated that it seeks to achieve a nine per cent inflation rate by the end of 2020. The World Bank estimates that over half the Egyptian population is either poor or vulnerable, whereas the government's efforts to offset austerity with cash subsidy programmes only covers ten per cent of Egyptians. Egypt's external debt has doubled since Sisi's predecessor, with over a third of the budget allocated to paying interest on its outstanding debts. A lack of transparency and corruption continue to plague foreign investors, with the military's increasing encroachment in the economy a significant inhibition to ease of doing business.

OUTLOOK

Whilst currently hailed as the fastest growing economy in the MENA region, there are significant causes for concern, evidenced in the recent protests. Namely, Egypt's primary bankrollers (Saudi Arabia and the United Arab Emirates) already have substantial drains on their reserves from conflicts in Yemen and Libya. In the short term, Sisi retains a solid grip on power; however, dissatisfaction with austerity, the entrenchment of the army in all aspects of the economy, and rivalry between the MoI and the military, suggest more, rather than less, political instability in the medium to long term. For the foreseeable future, corruption will remain an endemic part of doing business in Egypt.