

Egypt One Year after Morsi's Ouster

One year after the ouster of the democratically elected president, Mohammed Morsi, Egypt's successful transition looks ever more challenging. However, continued engagement, including that of Switzerland, remains vital, as the fate of this pivotal North African state is capable of sending ripple effects across Europe.

By Lisa Watanabe

With the election of Abdel Fattah el-Sisi as Egypt's new president, Egypt's transition looks in danger of generating a political order ominously reminiscent of the Mubarak era. The military still holds considerable political sway and autonomy. Moreover, the interim authorities have been engaged in the violent suppression of the Muslim Brotherhood and its supporters, generating counter-attacks by what appears to be the Islamist opposition. The authorities have responded with repressive measures that risk causing further violence and have already eroded many of the democratic gains of the 2011 revolution.

The sources of the main socio-economic grievances that led to the 2011 revolution not only remain, but have worsened over the past year, compounding economic problems generated by the revolution. Many Egyptians are hoping that Egypt's new president will be able to bring the stability needed for economic recovery to take place. However, el-Sisi will have a difficult path to tread. The structural reforms needed to improve the long-term health of the Egyptian economy could meet with considerable opposition, not least from the military. For the time being, generous foreign assistance from the Gulf States has enabled such reforms to be deferred.

Indeed, ties between Egypt and several Gulf States, especially Saudi Arabia, have



A supporter of the Muslim Brotherhood shouts slogans against the military during a protest in Cairo in January 2014. *Amr Abdallah Dalsh / Reuters*

been strengthened over the last year. This stands in contrast to Egypt's strained relations with the US and the EU as a result of the coup and subsequent human rights abuses. Nevertheless, the importance of Egypt to US strategic access to the Persian Gulf, improved relations between Israel and the Arab world, and European security make continued engagement critical, if challenging. This is no less the case for Switzerland. Egypt, along with Tunisia,

constitutes a central focus of Switzerland's North Africa Program, which was established in 2011 to support the transitions.

Resurgent Power Bases

While the Egyptian military handed over power to an interim president and civilian government following the overthrow of former Egyptian president Mohammed Morsi, it has maintained its influence. In July 2013, the Supreme Council of Armed

Forces (SCAF) appointed an interim president and a civilian government was nominated. A road map was also adopted that foresaw a revision of the constitution, and presidential and parliamentary elections in 2014. The new constitution preserves the interests of the military and its autonomy, as well as those of other state sectors. It grants the SCAF final approval of appointments to the position of minister of defense, exempts the military from full parliamentary scrutiny, and enables military trials of civilians. The election of el-Sisi, who was commander-in-chief of the Egyptian Armed Forces and minister of defense from 12 August 2012 to 26 March 2014, and also played a key role in the downfall of Morsi, has reinforced the influence of the military, which still maintains a capacity to act as arbiter in the transition.

The past year has also seen the initial opening of the political space contract, and many of the gains in terms of human rights have also been eroded, even though the 2014 constitution theoretically provides for improvements in the protection of human rights. The Ministry of the Interior has reinstated some of the most controversial departments that were disbanded after the 2011 revolution, such as the State Security Investigations Unit and divisions within it that investigated Islamist and opposition groups. The authorities' clampdown has been largely focused on the Muslim Brotherhood and its supporters. The organiza-

Reconciliation between the regime and the Muslim Brotherhood is unlikely.

tion has been banned and designated a terrorist organization. Key leaders of the Muslim Brotherhood, including Morsi, have been arrested and are being tried. Thousands of people have been killed and injured over the last year. In March 2014, some 529 Egyptians were sentenced to death in mass trials for the storming of a police station during which a policeman was killed, followed by 683 people being sentenced to death the month after, generating international criticism. Eventually, 396 of the 529 and 496 of the 683 have been acquitted since then. Doubts about the independence of the judiciary, reinforced by such death sentences, may delay the return of some CHF700 million (USD 791 million) assets of Egyptians associated with the Mubarak regime frozen by the Swiss authorities in 2011. The crack-



down on the Muslim Brotherhood and its affiliates has also generated reprisals by Islamist forces, mostly targeted at the Egyptian security forces.

The use of repressive measures to stifle dissent has also been targeted at the non-Islamist opposition. A new "protest law" that came into force in November 2013 forbids gatherings of more than ten people without prior permission from the police and allows the police to prevent gatherings that are deemed a threat to public order. Such restrictions on the freedom of assembly have generated further protests, as well as arrests and harsh sentences. In mid-June 2014, a prominent pro-democracy activist most associated with Mubarak's fall was sentenced to 15 years in prison for violating the law as well other charges. Press freedom has also declined since July 2013, with restrictions on filming and coverage of the trials of the Muslim Brotherhood and Morsi being put in place.

Deep polarization and political violence is unlikely to be alleviated by el-Sisi, who has already stated that the Muslim Brotherhood will not be able to play a part in the parliamentary elections. Indeed, reconciliation between the regime and the Muslim Brotherhood is unlikely over the short term, with stability being produced through repression rather than political dialog and inclusiveness – the lack of the latter being one of the major reasons for the political crisis that led to the removal of Morsi. The nature of the political forces that will fill

the gap created by the banning of the Muslim Brotherhood, as well as the further development of relations between the military and el-Sisi will be critical to Egypt's political transition.

Balancing Economic Interests

While Egypt's economy is no longer contracting, the country's economic problems abound. Unemployment, which is highest amongst Egypt's youth, has increased since July 2013, as has poverty, which is most acute in rural areas. Foreign reserves are still low due to a reduction in tourism – which accounted for 10 per cent of the workforce at the time of revolution – and foreign direct investment, and to capital flight. Depreciation of the Egyptian pound has made imports harder to procure. Still, Egypt is dependent on imports of basic necessities, including food and fuel. Public and external debt is also high. Government subsidies of food and fuel account for between 20 and 29 per cent of public spending. Moreover, interest payments on domestic debt have been crowding out the private sector, discouraging growth, job creation, and investment, which are essential to address in order to alleviate the socio-economic grievances that led to the revolution.

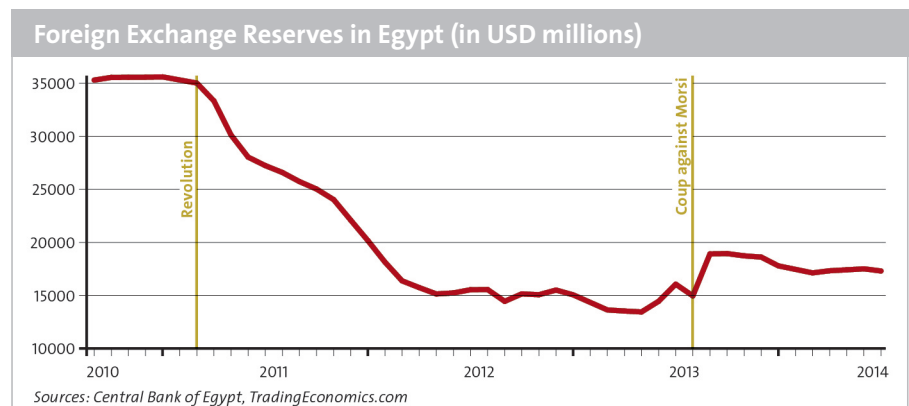
Untied foreign aid from several Gulf States is likely to enable Egypt to defer difficult economic reforms for now. Following the removal of Morsi, the International Monetary Fund (IMF) postponed negotiations with Egypt on an IMF loan, prompting Egypt to turn instead to the Gulf States, particularly Saudi Arabia and the United

Arab Emirates (UAE), both of which are firm supporters of el-Sisi, the army, and the suppression of the Muslim Brotherhood. Gulf funding eases balance of payments pressure, as well as exchange rate pressure on the Egyptian pound. Moreover, Saudi Arabia and the UAE are currently negotiating a financial aid package of USD 20 billion to boost Egypt's economy and support the incoming government. Saudi Arabia is reported to have made continued financial support conditional upon the accession of el-Sisi. This may help the Egyptian economy stay afloat. However, a key question will be whether it will help to address the socio-economic grievances of the Egyptian people, which ultimately depend on economic reform.

Entrenched interests also risk hindering reforms. Under Mubarak's policy of "economic opening", the growth of the private sector was accompanied by a concentration of capital. A small number of individuals and families, such as the Sawiris family, which has interests in construction, tourism, and telecommunications, as well as investments inter alia in Switzerland, gained control of significant parts of the economy. However, this wealth has failed to trickle down to the rest of society. The business elite appear to be backing el-Sisi in the hope that he will bring stability to the country and be more favorable to their interests than was Morsi. The business elite had been wary of the Muslim Brotherhood and were becoming unwilling to invest in the Egyptian economy – the biggest private-sector company, Orascom Construction Industries (OCI), announced its intention to leave Egypt in early 2013, the main stakeholders of Orascom being the Sawiris family. This move was only possible after the company paid back taxes of USD 1 billion. However, el-Sisi will also need to ensure that any economic recovery is not only felt by the business elite, but by wider society. El-Sisi may also have to contend with the military, which has deeply entrenched economic interests. The military owns 90 per cent of the land in Egypt and is engaged in infrastructural projects and the production of civilian goods. While no official figures for its revenues exist, some estimate that they account for 40 per cent of Egypt's GDP. Moreover, it has been operating according to its own rules.

The US-Egyptian Partnership

Whereas the West was the major source of aid, investment, technology, weapons, and



knowledge to Egypt before the coup, it can no longer be said to be the main source of aid or influence in Egypt. The US-Egyptian strategic partnership has been strained since Morsi's removal. The US has provided military assistance to Egypt since the 1970s in order to secure access to the Per-

Saudi Arabia now occupies a key position in Egypt's external relations.

sian Gulf through the Suez Canal and Egyptian military facilities, as well as to maintain the 1979 Peace Treaty between Egypt and Israel. As part of the Treaty, the Egyptian military receives USD 1.3 billion in annual aid from the US, which comprises training of Egyptian officers in US war colleges – El-Sisi himself having attended the US Army War College in 2006 – and arms sales to Egypt. While Egypt also receives economic aid from the US, the military dimension of the aid package remains more significant. Military aid, apart from that destined for counter-terrorism, was suspended due to US restrictions on the provision of aid to countries where coups have occurred.

Partly in response to tensions in the US-Egyptian relationship, Egypt has been attempting to diversify its strategic partners. Saudi Arabia now occupies a key position in Egypt's external relations. The former's capacity and willingness to provide generous foreign aid, as well as its shared interest in suppressing the Muslim Brotherhood and preventing the security situation in the Sinai from worsening, has made them firm allies, with Qatar and Turkey conversely being marginalized. Egypt has also demonstrated an interest in closer military and

economic cooperation with Russia. Both states are reportedly discussing an arms deal worth between USD 2 and 3 billion, supposedly financed by Saudi Arabia and the UAE, in order to replace the shortfall in equipment resulting from the partial suspension of US aid. However, Egypt remains reliant on the US for training, military equipment, and spare parts, making the viability of deeper Egyptian-Russian military cooperation questionable.

Indeed, the US-Egyptian strategic partnership remains critical not only to Egypt, but also the US. Despite the concerns of Congress about human rights abuses and their potential for radicalization of Islamists in Egypt, the US military, especially US Central Command (USCENTCOM), is vehemently lobbying for continuing military aid. The US administration appears to be attempting to find a balance between strategic interests, on the one hand, and democracy and human rights considerations, on the other. All aid is likely to be resumed in 2014, provided conditions are met. USD 575 million of the frozen aid was released two weeks after el-Sisi's inauguration.

Along with the US military, Israel has a keen interest in continued US military aid to Egypt, due to its linkage to the maintenance of the 1979 Peace Treaty and its contribution to Egyptian counter-terrorism in the Sinai. Since the ousting of Morsi, the Egyptian army has deployed Apache helicopters, tanks, and armored personnel carriers into demilitarized areas of the Sinai with Israel's permission. This cooperation with Israel appears to be borne out at the operational level, with the Egyptian and Israeli militaries and intelligence services working together. In addition to Egypt's more concerted military operations in the

Crisis in Egypt (2011–2014)

26–28 May 2014	Abdel Fattah el-Sisi wins the presidential election with 96.91% of the vote
March/April 2014	Over 1000 Morsi supporters sentenced to death
17–18 January 2014	Voters approve new constitution with 98.1% of the vote
4 November 2014	Ousted President Morsi tried for inciting murder
8 October 2013	The US partially suspends military aid to Egypt
23 September 2013	The Muslim Brotherhood is banned from all activities in Egypt and an order for the confiscation of its assets is issued
14 August 2013	Security forces violently break-up Muslim Brotherhood protests; subsequent clashes kill more than 1000 people
16 July 2013	New interim cabinet sworn in, led by Prime Minister Hazem el-Beblawi and Deputy Prime Minister and Minister of Defense Abdel Fattah el-Sisi
3 July 2013	Military coup against President Morsi; Muslim Brotherhood leaders are arrested
30 June 2012	Mohammed Morsi comes to power, after winning 52% of the vote against Mubarak's last prime minister, Ahmed Shafiq (48%)
1 February 2012	Port Said Stadium riots with 79 deaths prompt clashes that leave some 1000 injured; unrest in Cairo and other cities
28 November 2011	Muslim Brotherhood wins 47.5% of the seats in the parliamentary
–11 January 2012	elections, followed by the Salafi Nour Party with 24.3% of the seats
19 March 2011	Constitutional referendum held; amendments accepted by 77.2% of Egyptians
10–11 February 2011	President Hosni Mubarak forced from office. The Supreme Council of the Armed Forces (SCAF) under Field Marshal Tantawi assumes control
25 January 2011	Mass protests in Tahrir Square, Cairo, begin

Sinai, which has been used to launch attacks against Israel, Israel is likely to view the new Egyptian authorities more favorably due to their hardened position in relation to Hamas, which has governed the Gaza Strip since 2007, as well as their efforts to destroy smuggling tunnels that connect the Gaza Strip to Egypt.

The US-Egyptian relationship could become even more critical due to concerns that the radical Islamic group of “Islamic State in Iraq and al-Sham” (ISIS) could further destabilize the region.

What Role for Europe?

While the US may succeed in maintaining strong relations with Egypt, despite the latter's efforts to diversify its foreign relations, the EU is likely to struggle to maintain what already questionable influence it had. The EU has been unable to take forward the implementation of its Action

Plan with Egypt within the framework of its European Neighbourhood Policy (ENP), which was revised following the Arab uprisings to help support the transitions. It is waiting to see that the road map is completed in a fully inclusive manner, and that human rights and the rule of law are respected, though it remains committed to engagement. Having revised its ENP on the “more-for-more” principle that has reinforced political conditionality, it finds itself in a particularly difficult position – the assistance that it is able to offer in order to incentivize democratic reforms pale in significance to those provided by the Gulf States. Moreover, Egypt has shown little interest in deeper trade relations with the EU, something on which the EU ought to be able to capitalize since the EU was still Egypt's largest trade partner in 2012.

The operating environment in Egypt is also challenging for Switzerland. However,

Switzerland's emphasis on responding to needs and requests for assistance at the grassroots level, as well as its provision of funding not conditioned on democratic reform, means that it has been able to remain engaged over the past year. However, recent developments are likely to require a level of intervention within the context of the Swiss North Africa program that may be lower than it might otherwise have been and a revision of expectations about what can be realistically be achieved. The political climate in the country, as well as entrenched interests within the state, could make progress in the area of democracy and human rights promotion particularly challenging. Advocacy work, for example, could be more difficult. The rapid restitution of illicit assets, as mentioned, could be lengthier than hoped. In addition, efforts to support security sector reform are unlikely to gain traction with the new Egyptian authorities, as well as to meet with resistance from within the state security services. Short-term results in this area are improbable. On a more positive note, more headway is likely to be made in the field of economic development and job creation.

Despite the difficulties, developments since the ousting of Morsi do confirm the need for continued engagement in Egypt, not least in relation to the promotion of human rights and the strengthening of civil society. Indeed, it is now clear that Egypt's transition will certainly be lengthy and require continued support. The Swiss North Africa program was originally projected to run until 2016, with an annual budget of approximately CHF 60 million. An extension of funding beyond 2016 is expected and will certainly be needed.

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