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Research Report

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Fragile Alliances in Egypt's Post-Revolutionary Order

The Military and Its Partners

Chérine Chams El-Dine

The election of Abdel Fattah al-Sisi in May 2014 as Egypt's President has ushered in a new order. The tacit alliance forged during the rule of Sisi's predecessor, Mohammed Morsi, between the Muslim Brotherhood and the military had gradually eroded by the end of 2012. Currently, the military and the business elites constitute the core of an emerging tactical alliance, with the Salafist Nour party and secular political forces occupying a secondary position. In the mid-term, the consolidation of the post-July 2013 order will depend first and foremost on the alliance's capacity to ensure economic recovery. Secular and Islamist forces have each been forging electoral coalitions to try to win seats in the coming parliamentary elections, which are supposed to take place before the end of 2014.

The ouster of President Mohamed Morsi on July 3, 2013, and the subsequent crackdown on the Muslim Brotherhood and its members marked the official demise of an implicit alliance between the military and the Brotherhood, which had characterized the beginning of Morsi's presidency. Since then, a new order has been taking shape in Egypt, in which the military institution is occupying a central place. Sisi – who won the May 2014 elections with a landslide victory against the only rival, the leftist politician Hamdeen Sabahi – has granted the military the status of ultimate arbiter of the system and supervisor of Egypt's new development projects, in addition to its classic role of national security custodian.

The Military's Increased Autonomy

The 2014 constitution has made the military an increasingly closed fiefdom, protecting its interests regardless of who fills the executive branch. According to it, the budget for the Armed Forces is exclusively discussed by the predominantly military National Defense Council (article 203). Similarly, the Armed Forces were particularly keen on keeping the upper hand in military affairs and on being consulted on all national security matters. According to the constitution, the National Defense Council must be consulted by the President before declaring war or sending troops abroad, and it must also be consulted for draft laws related to the Armed Forces (articles

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SWP Comments 46
October 2014

152 and 203 respectively). The military also managed to impose article 204 to extend the scope of military trials of civilians in an unprecedented way. Moreover, a transitional provision (article 234) stipulates that the appointment of the Defense Minister must be approved by the Supreme Command of the Armed Forces over the next two presidential terms. This strips the chief executive (i.e., the President) of his full authority over the military – as the Supreme Commander of the Armed Forces – and enhances the institution’s autonomy.

The Military and Egypt’s Mega Projects

With a high budget deficit, reaching 12.6 percent of Egypt’s GDP (as of 2013–2014 pre-actual budget), soaring public debt, and growing unemployment, ensuring economic recovery – in terms of higher growth, investment, and thus employment rates – is imperative for Egypt’s new ruler. Since the January 2011 revolution, large business companies have been reluctant to invest their money in the country, as the political situation has remained unstable. Thus, following the demise of Morsi’s rule, the Egyptian government and its Gulf allies – Saudi Arabia, the United Arab Emirates (UAE), and Kuwait – have tried to improve economic development by investing large amounts in extensive infrastructure projects that could create jobs and boost the economy. In this context, the Armed Forces Engineering Authority (AFEA) has been Egyptian officials’ most trusted entity for implementing such projects.

Actually, the army’s involvement in civilian infrastructure projects is far from a new practice. The Armed Forces started their civilian economic activities in the late 1970s with agrarian projects, land reclamation, and civilian public works contracts. They then gradually expanded and diversified their fields of activity through a multitude of income-generating enterprises, including construction, maritime transport, production of petrochemicals, as well as environ-

mental projects such as wastewater treatment and renewable energy. Thus, the private sector and what is often called the military’s economic empire have coexisted for the last 30 years. Nonetheless, a clear division of labor has been respected by both parties, as some economic sectors were considered the bastions of big business, namely heavy industries (such as steel and iron), tourism, and telecommunications.

Following Morsi’s ouster, the successive (interim) governments awarded the Ministry of Defense several contracts to carry out infrastructure projects through direct order, i.e., without public tenders. These projects are to be implemented by the AFEA and range from building highways, bridges, and low-income housing to renovating public hospitals. They also include the Suez Canal Area Development mega project. State officials justify their preference for the AFEA over private companies on the basis of the army engineering corps’ rapidity in implementing projects for the lowest cost and with the highest quality. According to a member of Sisi’s electoral campaign, the military would not crowd out the private sector. This is partially true, as most of these projects are carried out by subcontractors belonging to the private sector. The latter’s involvement is essential, as the implementation of these projects goes beyond the AFEA’s own capabilities. However, this arrangement grants the military a supervisory role in these projects, and, *a fortiori*, over its private sector partners.

Among Sisi’s foreign backers, the UAE has also been placing its trust in the AFEA. In October 2013, it signed a grant agreement with the Egyptian government to finance a number of development projects in Egypt. The agreement stipulates that the UAE entrusts the Egyptian AFEA with supervising and/or implementing a number of these projects. This is in addition to two other projects signed by the Egyptian Ministry of Defense and UAE-based companies (Emaar Properties and Arabtec Holding) aimed at building a retail development and a low-income housing project.

Business Elites: Indispensable Partners

Yet, the intervention of the government and the Gulf sponsors to stimulate the economy provides only an ad hoc solution to a chronic issue. Economic recovery will basically depend on the regime's ability to ensure political stability and attract foreign and local investment. Thus, the current approach favored by Sisi – i.e., the implementation of development projects under military supervision, only involving the private sector as subcontractors – is not sustainable.

As a matter of fact, the relationship between Sisi and the business tycoons has not been that smooth, as the latter have been losing some of the privileges they enjoyed under Mubarak. During his first month in office, Sisi made a number of harsh economic decisions. For the first time since 2007, fuel prices were raised during the current fiscal year in order to reduce energy subsidies by 40 billion EGP (US\$ 5.6 billion). Without doubt, energy-intensive industries (such as cement, fertilizers, iron, and steel) run by the private sector were the first affected by the reduction in energy subsidies. In addition, Sisi issued a law amending the tax code to apply a ten percent tax on stock market proceeds as well as a five percent tax on incomes that exceed one million EGP (US\$ 140,000) a year (over the next three years).

Though private businesses have not voiced opposition to these recent tax hikes and the reduction in energy subsidies, they will be more likely to resist the implementation of progressive taxes (as stipulated by article 38 of the 2014 constitution and currently under discussion) and the setting of minimum and maximum wages in the private sector – a measure that already entered into force in July 2014 for civil servants.

A sign of the disenchantment from big business is the business elites' slow response to Sisi's call to make donations to a newly established public fund called "Tahiyya Misr" (Long Live Egypt) in order to finance the national development projects. In mid-

July 2014, Sisi invited 50 businessmen to a meeting in which he managed to collect more than five billion EGP (US\$ 700 million) from a number of business tycoons. Still, businesspeople have abstained from donating substantial sums to the fund – contributions have remained far below Sisi's original target of 100 billion EGP (US\$ 14 billion). The businessmen invited to attend this meeting include independent or opposition-linked businessmen (such as Naguib Sawiris), former members of Mubarak's National Democratic Party (such as Mohamed Farid Khamis), and former members of the Brotherhood-linked Egyptian Business Development Association (such as Safwan Thabet). This is a clear indicator that Egypt's new regime is willing to cooperate with all businessmen, regardless of their political backgrounds, except for Gamal Mubarak's business cronies (such as steel-magnate Ahmed 'Ezz), as Sisi does not want to be associated with the Mubarak regime's corrupt practices.

Sooner or later, Sisi will have to define new rules of the game governing access to assets and to economic opportunities. He needs the private sector's involvement in the economy (through local investment and tax payments) in order to ensure the long-term economic recovery he is yearning for, and thus to consolidate his own legitimacy.

Islamist Forces: Quest for Survival

The ouster of then President Morsi signaled the beginning of a state crackdown on the Muslim Brotherhood. By the end of September 2013, the organization was banned by court ruling, its main figures arrested, its assets confiscated, and those of its leaders frozen. The organization was also declared a "terrorist" organization by the Egyptian government in December 2013. In August 2014, almost one year after the Brotherhood's ban, its political wing, the Freedom and Justice Party, was dissolved by another court ruling.

Ahead of the protests starting at the end of June 2013, calling for Morsi's resigna-

tion, Brotherhood leaders – along with leaders of other Islamist parties and movements – formed the National Alliance to Support Legitimacy, later also known as the Anti-Coup Alliance. Today, this alliance has been weakened following the withdrawal of some of its key members, namely the al-Wasat and al-Watan parties. This has left the Brotherhood – as well as the other members of the Anti-Coup Alliance – in a dire situation. The release of two moderate Muslim Brotherhood figures (Helmi al-Gazar and Mohamed al-Omda) in September 2014 revived the discussion about a possible reconciliation between the new leadership and Brotherhood members who are willing to undertake an “ideological revision.” It is clear that any reintegration into the political system would be on the regime’s terms and would mean respecting the military’s red lines on national security and Egyptian national identity. At the same time, any reconciliation would deal a fatal blow to the Brotherhood’s organizational unity and its leaders’ credibility in view of the brutal crackdown that has left hundreds of its supporters dead and many more arrested.

The Salafist Nour party can be considered as the one benefiting from the Brotherhood’s demise. Its leaders supported Morsi’s ouster, adopted the military-led transitional roadmap, and participated in the drafting of the 2014 constitution. Their contribution has been seen as providing “Islamic legitimacy” to the new political order. Al-Nour’s leaders justified their pragmatic stance as an effort to preserve national unity, to keep Islamists represented in the government, and to escape the Brotherhood’s fate. The leaders’ main concern has been to avoid a return to the pre-2011 situation, when they were being persecuted by State Security services. They also worry about article 74 of the 2014 constitution, which states that “no political party can be based on religion.” If used against them by the current regime, this article may transform al-Nour into an illegal entity. Such a haunting fear explains why al-Nour endorsed Sisi as a presidential

candidate, to the extent of organizing nine public meetings to call their followers to vote for him in the last presidential elections. For the moment, although al-Nour is still a necessary ally for legitimizing Sisi’s regime, the party has lost some of its credentials among its core Islamist supporters for what is seen as betraying its fellow Islamists. Likewise, its organizational weakness – following its internal divisions, which led to the splitting off and formation of the Salafist al-Watan party in January 2013 – and its limited financial resources cast doubt on its capacity to replace the Brotherhood as the main Islamist political force or to win the “Islamist vote” in the parliamentary elections, which are officially supposed to take place before the end of 2014. Against this background, al-Nour leaders have started talks with the al-Wasat and al-Watan parties about forming an Islamist electoral coalition, or at least to convince figures of both parties to run for elections on al-Nour’s list.

Secular Political Forces: Yearning for Influence

The participation of secular political forces in the June 2013 demonstrations under the banner of the National Salvation Front – an opposition alliance formed at the end of November 2012 – and their approval of the military-backed transitional roadmap, certainly legitimized the political process. However, this front collapsed after the ouster of President Morsi, and longstanding divisions among Egypt’s civilian politicians reemerged. In the same vein, prior to the May 2014 presidential elections, an internal split occurred within the ranks of Tamarrod (rebellion), a campaign launched by young activists in April 2013 calling for Morsi’s resignation. At least two of its leading figures supported Hamdeen Sabahi, whereas a large number of its members constituted the backbone of Sisi’s electoral campaign and have since strongly supported the new government’s policies. Tamarrod is currently being transformed

into a political party called the Arab Popular Movement, which could field candidates in the parliamentary elections.

In an attempt to coordinate the efforts of national secular political forces, Amr Moussa – one of the presidential candidates in 2012 and head of the 50-member committee that wrote the 2014 constitution – conducted negotiations with right- and left-wing parties to form a coalition. Yet, in early August 2014, Moussa's negotiations with the political forces reached a deadlock due to some parties' self-interested calculations and the unwillingness of others to include former members of Mubarak's defunct National Democratic Party in any electoral coalition. At the same time, his initiative inspired others, which has led to three rather homogenous electoral coalitions among the secular forces. The first and most organized one is the liberal-centrist Egyptian Wafd alliance. It mainly includes the Wafd party, led by businessman al-Sayed al-Badawi; the Egyptian Social Democratic Party, led by Mohamed Abul-Ghar; and the Reform and Development party, led by Mohamed Anwar al-Sadat. The second coalition is the left-centrist Democratic Alliance for Civil Forces. The major participating parties include the Popular Current, led by former presidential candidate Hamdeen Sabahi; the Dostour party, led by Hala Shukrallah; and the Socialist Popular Alliance, led by Abdel Ghaffar Shukr. The third one is the Egyptian Front, led by remnants of Mubarak's regime. The latter sneaked into the public/political arena and have been smoothly rehabilitated since Morsi's ouster. It mainly comprises the Misr Baladi party, led by Ahmed Gamal-eddin, Interior Minister under Morsi; and the National Movement, led by Mubarak's last Prime Minister and 2012 presidential candidate, Ahmed Shafiq. As for the Free Egyptians Party, founded by business tycoon Naguib Sawiris, it is still undecided whether it will join one of the first two coalitions or run for elections on its own.

The success of these coalitions is quite uncertain, whether it is with regard to

running for elections or forging political alliances that go beyond electoral strategies. The involvement of secular political forces in politics remains important for the current regime's image as being pluralist. However, their fragmentation and competition over leadership does not make them serious contenders for the current ruling coalition.

In addition to the fragmentation of the secular political spectrum, the new election law issued in June 2014 will hinder the proper representation of political parties in the coming parliament. It provides for a mixed system when electing the parliament's members. In addition to the 27 members appointed by the President, the law gives a greater share for the majority vote system (420 members, or 74.1 percent of the seats) and a minority of seats (120 members, or 21.2 percent of the seats) to be elected through a closed-list majority system. On the one hand, this law clearly favors well-connected, wealthy individuals and old, well-rooted and well-financed parties. On the other hand, it voids the list system of meaning, as it does not allow for any proper proportional representation. According to the closed-list majority system, the list receiving the majority of votes (50%+1) is awarded all seats. Moreover, the law establishes conditions for the lists' composition, as each has to include a set number of specific groups (such as Christians, women, disabled persons, workers/farmers, etc.).

Thus, this law forces political parties to form electoral coalitions in order to run for the upcoming parliamentary elections. This poses the danger of leading to a weak parliament composed of fragile alliances, dominated by well-connected businessmen, running as individual candidates, and controlled by the executive.

Outlook

The consolidation of the post-July 2013 order will depend on the leadership's capacity to ensure political stability and

economic recovery. This is supposed to be achieved in the short-term through direct state intervention to establish major infrastructure and development projects.

However, the partnership between the military and the business elites is faced with a number of challenges. Egyptian business tycoons will not accept being reduced to subcontractors working under the military's supervision. Thus, a potential re-evaluation of the military's role in the economy will be required in the medium and long-term. Sisi will have to persuade his core supporters in the military to make concessions to private businesses. He will also have to establish the new rules of the game defining access to assets, markets, and business opportunities, while at the same time improving the lot of the most deprived, as he has promised. For the moment, the new President's popularity enables him to adopt harsh economic measures. However, the absence of an efficient social welfare program (e.g., access to basic health services, to unemployment allowance, etc.) with a capacity to alleviate the effects of austerity measures, which especially hurt the most vulnerable sections of the population, is likely to undermine the new regime's legitimacy and put an end to the *état de grâce* it is currently enjoying.

Germany and its European partners retain very limited influence on the Egyptian political order, especially as today the latter mainly depends on Gulf financial assistance. Also, the application of political conditionality by European authorities has shown its limits. Still, while Sisi's willingness to participate in the international coalition against the so-called Islamic State is bolstering his international legitimacy, European governments should not ignore the Egyptian regime's drift toward authoritarianism in return for fighting terrorism.

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Further reading:

Stephan Roll
Al-Sisi's Development Visions. Projects and Power in Egypt
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<www.swp-berlin.org/fileadmin/contents/products/comments/2014C26_rll.pdf>