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FUTURE NOTES

THE RIDDLE OF THE SPHINX: WHY PRESIDENT SISI FEARS THE ELECTION

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Egypt's President Sisi has been described as Sphinx-like, carefully hiding his thoughts and intentions behind a stoical exterior. His utterances tend to be moralistic, more like an austere father lecturing, even threatening errant children, than a politician engaging in political debate and laying out programmes.² When he does address the latter it typically takes the form of eulogizing specific projects with which he has associated himself and charged the military with executing.

In the lead up to the presidential election of late March, the general riddle of this Sphinx-like President has taken on more specific form. On the one hand, the drumbeat of reports of economic, counter-terrorism and foreign policy successes emanating from the presidency and other government officials has dramatically increased. A steady stream of announcements is informing Egyptians that the economy is taking off, that terrorists are being subdued, and that Egypt is playing an ever-greater role regionally, even globally. On the other hand, the behaviour of the President-Sphinx increasingly reflects that of a leader who feels profoundly threatened by political forces, including those closest to him. The riddle then is if indeed the regime is performing so well, why does its leader feel so insecure?

One answer might be that the insecurity is due primarily if not exclusively to the threat posed to the country and its leader by Islamist terrorists. President Sisi misses no opportunity to lecture domestic and foreign audiences on this issue. In January he publicly ordered his military and security officials to defeat the long-running insurgency in the Sinai in three months. In February, 292 suspects faced trial in a military court on charges of trying to assassinate Sisi and King Salman of Saudi Arabia.³ Also in that month it was reported by *The New York Times* that the Israeli air force had been requested by Egypt to assist its counter-terrorism campaign in Northern Sinai.⁴ The stream of accusations and trials of Muslim Brothers for terrorism related offences that commenced in the wake of the July 2013 coup, has not abated.

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2 "Alliance Calling for Halting of Egypt's Elections Expresses Concern at Sisi's Thinly-Veiled Threats", in *Mada Masr*, 3 February 2018, <https://www.madamasr.com/en/?p=254711>.

3 Farah Tawfeek, "Update: Verdict on Sisi Assassination Plot Trial Postponed Till 14 February", in *Egypt Independent*, 7 February 2018, <http://www.egyptindependent.com/?p=2512499>.

4 David D. Kirkpatrick, "Secret Alliance: Israel Carries out Airstrikes in Egypt, With Cairo's O.K.", in *The New York Times*, 3 February 2018, <https://nyti.ms/2GGdCuZ>.

On closer inspection, however, the physical threat of terrorism and widespread anti-regime violence appears to be receding throughout Egypt, with the exceptions of North Sinai and intermittent attacks against Coptic Christians. No ranking security officials in the rest of Egypt have been targets of assassination attempts for more than a year. Anti-regime demonstrations petered out some two years ago. “Comprehensive Operation Sinai 2018”, launched amidst great fanfare on 9 February 2018 with the stated purpose of “clearing terrorist pits from the areas in which they are found”,⁵ and including tens of thousands of army, navy, air force and intelligence personnel, was intended primarily to bolster Sisi’s sagging popularity. Even by the regime’s disputed figures it netted but 16 terrorists.⁶ The regime, in sum, faces less of a direct terrorist challenge than at any time since seizing power in 2013.

Why then the manifest nervousness of President Sisi, as reflected in the ever-tighter restrictions on civil and political liberties, dramatic increase in executions, intensifying crackdown on the broadcast and social media, further subordination of the judiciary to executive control, removal of his former mentor Mahmud Hegazy in October 2017 as military Chief of Staff, and replacement of the head of General Intelligence by Sisi’s office director in January 2018? These vital personnel changes were followed by the most politically visible signs of presidential nervousness in the form of Draconian steps taken to prevent an even slightly viable candidate, whether former officers Ahmad Shafiq or Sami Abul Anan, activist lawyer Khaled Ali, or the independent minded nephew of former President Anwar al Sadat, contesting the presidential election. Clearly President Sisi feels more vulnerable to political than security challenges, although failure to quell the Sinai insurgency is a political liability.

Sisi’s vulnerability is due overwhelmingly, however, not to security issues, but to economic ones. The yawning gap between the regime’s rhetoric of economic success and the reality as lived by most Egyptians could easily be exploited by any presidential challenger, as Sami Abul Anan in particular signalled with his preliminary, pointed criticisms of Sisi’s handling of the economy.

While the government’s line is that the IMF reform programme adopted in November 2016 is already having substantial positive economic effects, further supported by commencement of production in January 2018 from the giant Zohr gas field, Egyptians suffer from an inflation rate of 18 per cent, youth unemployment approaching 40 per cent, and a poverty rate that grew from 28 per cent in 2015 to more than 33 per cent now. The problem of runaway inflation has for consumers been further aggravated by reductions in both energy and food subsidies, yet further compounded by the implementation of a new value added tax. Constitutionally mandated minimum budgetary allocations for public health and education have not been met, resulting in substantial increases in family expenditures for both. Although the overwhelming majority of Egyptians suffer from these economic maladies, those in rural areas in general and in Upper Egypt in particular are most affected. In the latter the poverty rate now approaches 60 per cent, among other things causing a

5 Ahmed Eleiba, “Live: Egypt’s Army Launches Operation Sinai 2018 to Purge Country of Terrorism”, in *Ahram Online*, 9 February 2018, <http://english.ahram.org.eg/News/290644.aspx>.

6 Robert Springborg, “Sisi’s Sinai Operation is Counter-Democracy, Not Counter-Terrorist”, in *The New Arab*, 12 February 2018, <https://www.alaraby.co.uk/english/Comment/2018/2/12/Sisis-Sinai-operation-is-counter-democracy-not-counter-terrorist>.

massive outpouring of the population which Abu Bakr al Gendi, the Minister of Local Government, insensitively condemned as the cause of expanding slums around Cairo.⁷

These negative economic conditions raise the interrelated questions of whether or not the IMF supported reforms will eventually address them and, if so, might that economic success then lead to a restoration of presidential political confidence, hence relaxation of the regime's tightening grip on the polity?

The prospects for significant economic improvement are limited for structural and ephemeral reasons. The structural problems are both human and physical. Egypt's runaway population growth is driven by 2.5 million annual births resulting from an average birth rate of 4 children per mother, which combined with a slightly declining death rate will see the country's population grow from 93 million today to 128 million by 2030. Already 40 per cent of the population, or 38 million Egyptians, are under the age of 18.⁸ The challenge of nurturing, educating and employing this wave of young people could only be met with sustained annual GDP growth rates approaching 10 per cent and inflows of foreign direct investment several times present figures and targeted at sectors other than gas and tourism, which have for years absorbed the lion's share of it. The IMF and the World Bank do not see growth exceeding 5 per cent for the foreseeable future. That growth is held back by the poorly educated and trained labour force, by very low labour force participation rates, and by the country's decaying physical infrastructure of roads, sewerage, water supply, and so on. While poor economic policy making is not usually considered a structural impediment, because it has been endemic in Egypt since 1952, it is reasonable to consider it as such.

Ephemeral indicators of the huge economic challenge ahead are similarly discouraging. The most crucial of them is the rapidly growing national debt, both domestic and foreign, and associated servicing obligations. Egypt is now borrowing internationally to pay interest and other debts, not to invest, suggesting it is digging itself into an ever deeper economic hole. Foreign debt reached 80 billion dollars in February 2018 and combined with domestic debt is in excess of 130 per cent of GDP, on par with Italy's. That Egyptian debt carries a heavy risk premium is indicated by its ranking on the Bloomberg Emerging Market Local Sovereign Index, which is the highest of the 31 countries ranked.⁹ More than a third of the government's budget is now consumed by interest payments, which together with subsidies and civil servants' wages account for more than 90 per cent of total government spending. Governmental fixed capital investment, running at just over 10 per cent of GDP annually, is among the lowest in the world. Large subventions from the Gulf have dwindled to the point they cannot substitute for the necessary new borrowings or contribute significantly to fixed capital investments. Indeed, Egypt currently is requesting Kuwait, Saudi Arabia and the UAE not to withdraw their long-term deposits in the tens of billions of dollars from the Central Bank.

7 Al-Masry Al-Youm, "Local Development Minister Apologizes for Controversial Upper Egypt Statement", in *Egypt Independent*, 16 January 2018, <http://www.egyptindependent.com/?p=2509604>.

8 Al-Masry Al-Youm, "Births Decline from 2.6mn in 2016 to 2.5mn in 2017: Official", in *Egypt Independent*, 7 February 2018, <http://www.egyptindependent.com/?p=2512570>.

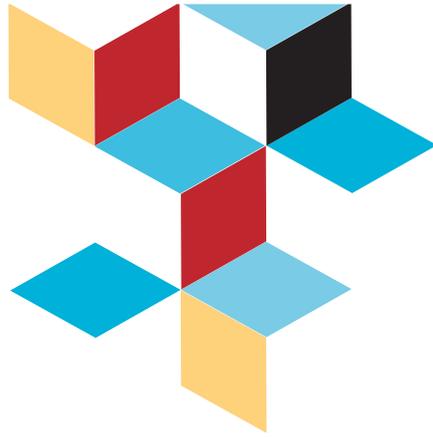
9 Robert Springborg, "Egypt Ignores Runaway Borrowing at Its Own Peril", in *The New Arab*, 17 September 2017, <https://www.alaraby.co.uk/english/comment/2017/9/12/egypt-ignores-runaway-borrowing-at-its-own-peril>.

In sum, with weak structural underpinnings and immense financial difficulties, Egypt faces the Herculean task of caring for and employing an exploding population. Even with inordinately wise political leadership the prospects could not be deemed favourable. Those unfavourable prospects translate directly into potential opposition to Sisi from within the deep state, as suggested by the Shafiq and Anan candidacies, while indicating that the potential for a popular explosion is ever-present.

For the moment though, if one were to assume that a combination of good luck and heretofore unappreciated skilful economic management were to turn the situation around such that everyday Egyptians began to see incomes rise, employment prospects improve, and public infrastructure become better and more accessible, could one also assume that the presently hunkered down, fearful president would relax and release at least some of the pressure he currently asserts over the entire political system?

Unfortunately, the answer is probably not. Not only does he lack manifest political skills, so would find a more open, competitive political system difficult to manage, but the shift from his reliance on Military Intelligence as his chief political watchdog and animator to a broader foundation that would include political parties and a real parliament, would be an extremely challenging task. So the path dependency of present dictatorial rule seems most likely, whatever happens to the economy. After all, the number of dictators who have become democrats is not great. And in any case the hypothetical, substantial, trickle-down economic growth is indeed very hypothetical.

Economic improvement or not, however, the president will almost certainly remain Sphinx-like, watching over a country of whose people he remains fearful, hence unwilling to trust with any real political or even economic responsibilities. That alone is sufficient to deter the economic take-off that is the necessary but not sufficient condition for a real political opening under present leadership.



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MENARA maps the driving variables and forces behind these dynamics and poses a single all-encompassing research question: Will the geopolitical future of the region be marked by either centrifugal or centripetal dynamics or a combination of both? In answering this question, the project is articulated around three levels of analysis (domestic, regional and global) and outlines future scenarios for 2025 and 2050. Its final objective is to provide EU Member States policy makers with valuable insights.

MENARA is carried out by a consortium of leading research institutions in the field of international relations, identity and religion politics, history, political sociology, demography, energy, economy, military and environmental studies.



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