

Sisi's Regime: Military Domination of Egypt's Economy

Cahyani^{1*}, Salma Salsabila, Mulawarman Hannase³

^{1,2,3}Jurusan Kajian Strategik dan Global, Universitas Indonesia, Depok, Indonesia

Email: cahyani@ui.ac.id ; salma.salsabila12@ui.ac.id ; mulawarmanhannase@ui.ac.id

Abstract. Egypt's economy has been stagnant since the January 2011 revolution, who overthrew the president at that time, Hosni Mubarak. In March 2014, Abdel Fattah el-Sisi announced his intention to run for president of Egypt. All kinds of deficits such as budget, and trade have reached alarming levels. The purpose of this research is to describe the steps of the Sisi regime in implementing authoritarian principles and (2) to describe the economic progress felt by the Egyptian people with the application of these principles. The research method used in this study is content analysis. The data used is primary data from texts relevant to the research title. The research shows that Sisi's military leadership is indeed strong in the presidency. However, this has not been successful in attracting investment from other countries due to the unstable political situation. The people hope that Sisi will create jobs for them and ensure economic and political stability. This will allow the Egyptian economy to improve along with a conducive situation and the influx of foreign investment, which can support the development of the private business sector.

Keywords: Sisi's Egypt; Military Domination; Authoritarianism

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INTRODUCTION

A stable and prosperous economic condition is a very important achievement criterion in a government (Dfid, G. B., 2008). The government is considered the actor most responsible for the rapid progress and development of the economy (Li, D. D., & Maskin, E. S., 2021). In the case of Egypt, the economic downturn caused by the government will cause people's unrest and reinforce the notion that the military can take on the role of determining economic-related policies to improve people's welfare. This is of course closely related to the military's motive for carrying out a coup if the economic rate tends to be low, then it will result in riots and demonstrations in the community which will significantly affect the stability of the country. A country's conditions can be a pretext for the military to seize power. An economic crisis provides the perfect opportunity for a coup in the name of the welfare of the Egyptian people.

In the winter of 2011, Egyptians took to the streets with demands for political and economic reform. They demanded the removal of Hosni Mubarak, who had been in power for 30 years. For almost twelve years after the Arab Spring that hit many countries in the Middle East region, the political reforms that the Egyptian people wanted had "somewhat" success, the Arab Center for Research and Policy Studies shows that by 2020, 66% of Egyptians view the political situation as

Email Correspondence*:

cahyani@ui.ac.id

improving significantly positive (Arab Opinion Index, 2020). Despite the success of the revolution and demands for political reform, Egypt is still beset by deep economic vulnerabilities. Conflict always leads to financial crises in a country. Therefore, the steps that must be taken in the event of a coup are to expedite the transfer of power and implement structural reforms. However, if the military is too slow in taking action after a coup, the economy will inevitably decline, and an economic crisis will be inevitable.

The main problem of Egypt's economic reform cannot be separated from political and social reform. While several measures have been pushed, including the elimination of most energy subsidies in 2014, the main economic challenge for Egypt is actually its political and military challenges. Can Sisi promote job creation, reduce poverty, and increase direct and indirect investment for the survival of his country's economy? On the one hand, the government is committed to introducing reforms aimed at opening access to economic resources and social progress for all the people of the Arab Republic of Egypt equally, but on the other hand, can the Egyptian military, which has been accustomed to playing an important role in politics for more than 50 years? years can commit to withdrawing from a very strong economic engagement?

Theory has a function as an instrument to support the facts and arguments described in an analysis. In understanding how the Egyptian economy was under the Sisi regime, contextually and thoroughly, this paper will use the theory of Neo-Liberalism and the concept of Authoritarianism. The selection of these two theories is based on the relevance of the analysis and studies conducted. Neoliberalism is an ideology and policy model that emphasizes the value of free market competition. In particular, neoliberalism is characterized by sustainable economic growth as a means of achieving human progress, its belief in the free market as the most efficient allocation of resources, its emphasis on minimal state intervention in economic and social affairs, and its commitment to freedom of trade and capital.

Neoliberalism is an advanced stage of the theory of liberalism that has developed in the 18th to 19th centuries in the West. Historically, liberalism itself began with the form of the struggle of the bourgeoisie in dealing with the conservatives. In a broad sense, liberalism is an ideology that defends individual autonomy against community intervention. Liberalism's perspective in political economy lies in individual freedom and market constraints, and there is no government interference in the market. Thus there should be no government intervention in the economy or the government's role is only limited in the market. Fundamentally, liberalism believes that politics and economics should be separated.

Neoliberalism was driven by various failures of the technocratic and interventionist economic policies of the 1960s which led to dissatisfaction and conflicts of interest. It can be said that neoliberalism is a revival of classical economic thought which calls for free markets, individual freedom, and minimal state intervention in the economy, which is a set of theories about the relationship between the state, market, individuals, and society in an economic system based on capitalism. In essence, this understanding is fighting for *laissez faire* (free competition), which is an understanding that fights for property rights and individual freedom. They are more believe in the power of markets to solve social problems rather than through state regulation. The word *neo* in neoliberalism refers to the revival of a new form of old economic liberalism which was later put forward by the British economist Adam Smith in his work *The Wealth of Nations* (Caniago, 2019). Therefore, the theory of neoliberalism is very much in line with the topic of the problem to be taken, so that it can be an analytical knife to understand more deeply about the economic condition of Egypt under the Sisi regime.

The word authoritarian is a translation of the word *authoritarian*. The word *authoritarian* itself comes from the word *authority* which actually comes from the Latin *auctoritas* which means "influence", "power", "power", "authority". Through the power he has, a person can influence the opinions, thoughts, ideas, and behavior of others, both individually and in groups. Another word that is closely related to power is *authoritarianism* which means an understanding or attitude that holds power or authority. This includes a way of life and a way of behaving.

Authoritarianism is the principle of blind obedience to authority, as opposed to individual freedom of thought and action. In government, *authoritarianism* refers to any political system that concentrates power in the hands of the leader. *Authoritarian* leaders often exercise power arbitrarily and independently of existing legal entities. In politics, an *authoritarian* government is a government in which political power is concentrated in a leader.

In many studies, *authoritarianism* is the word that is used more in politics. In a political sense, *authoritarianism* means government run by a person or a small group that requires absolute obedience from most or all of society. However, in political terms, the word *authoritarian* is often associated with the word *totalitarian*, *authoritarian*, *dictatorship*, or practically associated with *Nazism* or *fascism*. Since the essence of *authoritarianism* is absolute control over all members of society and the refusal to carry out a dialogical process, the word is often used as the antithesis of democracy. *Authoritarian* forms of government are also characterized by a rejection of political pluralism, the use of strong central powers to maintain status the political quo, restrictions on such things as the rule of law, separation of powers, and democratic voting.

Authoritarian regimes can be autocratic or oligarchic and may be based on party or military rule. Countries that have "blurred boundaries" or implement a democratic system but still have authoritarianism in it, are described as hybrid democracies, hybrid regimes, or "competitive authoritarian" countries.

The political scientist Juan Linz, in a 1964 work, *An Authoritarian Regime: Spain*, defined authoritarianism as having four characteristics: (1) Limited political pluralism; (2) Political legitimacy is based on emotional appeals and identification of regimes called for to combat social problems, such as backwardness or rebellion; (3) Lack of political mobilization, and suppression of anti-regime activities; (4) Unclear executive power, often unclear and shifting, extending executive power. Governments that have leaders with authoritarian styles, have many examples in the world. Here are countries with several leaders or ruling parties in the world with authoritarian style according to various sources: (1) Turkey, Justice and Development Party under Recep Tayyip Erdoğan. Described by observers as a competitive authoritarian regime; (2) Syria, the Ba'athist Regime and the al-Assad family; (3) Afghanistan, the Taliban; (4) Egypt, Abdel Fattah el-Sisi; (5) Iran, Ruhollah Khomeini and Ali Khamenei. Indeed, not a few scientific writings reveal that Egypt, under Sisi's leadership, was shrouded in an authoritarian system. Even to some observers, Egypt is seen as having an old state-dominated system, with the same socioeconomic bias and authoritarian tendencies, the same system under the guise of a new military-backed dictatorship. Using the concept of Authoritarianism can explain how the condition of the Egyptian state is now, where military dominance is now taking root.

The socialist economic system in Egypt dates back to the 1971 constitution which is considered the longest effective constitution in the history of the Egyptian constitutional system (1971-2011). Egypt's economic system is reflected in the law stating that the Arab Republic of Egypt is a democratic and socialist state (Article 1 of the Egyptian Constitution, 1971). The economic foundation of the Arab Republic of Egypt is a socialist system based on efficiency and equality to prevent exploitation and aims at eliminating social class inequalities (Egyptian Constitution 1971, Article 4). Then there was an amendment to the constitution in 2007, in which Egypt no longer declared its country a socialist state (Amendment Article 1, 2007) as well as changes to the economic system based on the development of economic activities, social equality, guarantees of various forms of property, and preservation of rights. - workers' rights (Amendment Article 4, 2007).

Political instability in Egypt since the 2011 revolution against the government of President Hosni Mubarak of course has implications for the constitutional system. The 1971 Constitution

was suspended and temporarily amended by the Constitutional Declaration in March 2011. After that, a new constitutional document was adopted in 2012. However, the military-backed popular movement against President Morsi in June 2013 ended with the suspension of the 2012 Constitution, which was later completely amended, resulting in Amendments to the 2014 Constitution, usually referred to as the 2014 Constitution. Of all the changes to the constitution above are the provisions related to the economic system in the 2014 Law that is currently in effect. It is clear that the constitutional legislators in such a constitution intend for the Egyptian economic system to become an economy oriented to government rules.

METHODS

This research used a content analysis method because it uses text instruments from various sources, both books and online media. In accordance with Arafat (2018) stated that essentially, content analysis can be used to analyze all forms of communication, such as the content of various print media (books, magazines, newspapers, flyers, letters, etc.), electronic media (television, radio, internet, etc.), and more specifically, such as poetry, songs (music), films, theater, paintings, regulations, laws, papers, folklore (legends, myths, fairy tales, comics, etc.), or other documented materials. Time constraints led the author to choose this method, which was deemed relevant given the tools used to collect data. This data was used to address the research questions.

RESULTS AND DISCUSSION

The economic and financial paralysis of Egypt which has been fostered by the Sisi's regime over the past few years is certainly due to various factors. However, there are three main factors that have had a significant impact on the Egyptian economy. The first is, the greed of the Egyptian government to spend billions of dollars on large and luxurious projects as mentioned above regarding the construction of new cities in Egypt which actually does not benefit the Egyptians, especially the lower middle class. The basic needs of the Egyptian people which include affordable prices of basic foodstuffs, health insurance, improved education, and other social services will not necessarily increase only with the construction of these mega projects.

Under Sisi's regime, his government relied on megaprojects and arms purchases only to increase its legitimacy (Robert Springborg, 2017). Sisi has planned to improve the Egyptian economy, even though these projects are considered unprofitable for Egyptians who are in the lower middle class. Then the second factor, namely, the narrow economic policies that Sisi took, his policies only based on one thing, loans. As Springborg (2017) points out, Egypt has become a beggar country, its economy increasingly dependent on foreign support, especially loans. By

2021, Egypt's foreign debt will reach \$137 billion. The total national debt, which includes both domestic and foreign borrowing, stands at approximately \$370 billion, quadrupling since 2010 and increasing by more than 100 percent between 2017 and 2020. Total debt is expected to increase to \$557 billion by 2026 (O'Neill, 2021).

What is surprising is the fact that despite the increasing rate of borrowing held by the Egyptian government, the living conditions of most Egyptians have not improved. By 2021, a third of Egyptians will live below the poverty line and unemployment will reach 7.4 percent (CAPMAS Egypt, 2022). The latter is the military's expansive role in the Egyptian economy. The military leaves no room for the private sector to grow and compete nor to attract foreign investment. Since the 2013 coup, the Egyptian military has been involved in almost every aspect of the economy, from the food, beverage and vegetable production sector to industry. This expansion of the military economy is at the expense of the private sector and businesses unable to compete with companies owned by the Egyptian military. Even more concerning is the fact that the performance of these companies is very weak and inefficient. According to the IMF, the Egyptian government through its military power plays a large role in the economy through its presence and even dominance in state-owned enterprises in almost all sectors. However, what is very unfortunate is that the government's weak performance has resulted in low economic growth. Under Sisi's regime, the Egyptian government relied on megaprojects and arms purchases only to increase its legitimacy (Springborg, 2017). The data above is evidence that Egypt's arms purchases have increased significantly, even exceeding the year before the coup.

Since Sisi came to power through a military coup in 2013 and became president, the military has increasingly dominated the government (AlJazeera, 2021). Civil institutions that were once proud of such as the judiciary, legislature, central audit authority, and the diplomatic corps have been stripped of their independence. Meanwhile, independent political parties, youth movements, media, and civil society organizations have been destroyed, followed by the closure of media outlets in Egypt that could potentially overthrow the Sisi regime. On the economic front, Sisi has significantly expanded military involvement through amendments to law no. 55 of 1968 concerning the People's Defense Organization. A new law mandates the appointment of a military adviser to each provincial governor (Law No. 165, 2020). Sisi has spent the money raised on loans on megaprojects and weapons purchases. This was intended to increase his power status and enrich his fellow officers. While Egyptians have been sinking into growing poverty over the past ten years, the Egyptian government is spending billions of dollars on projects that do not exist.

Benefit the Egyptian people. The construction of the New Administrative Capital further reinforces the fact that the military cannot be separated from all aspects of Egypt's economic development. The city located in the desert, 45 km east of Cairo has cost \$58 billion (Reuters, 2019) to be built with the help of significant Chinese investment of \$15 billion (AlArabiya, 2020). The head of this megaproject is Major General Ahmed Zaki Abdeen who recently stepped down in August 2022. Under Sisi's leadership, Egypt has spent a lot of money in recent years building up the Egyptian arsenal. Egypt was the third largest arms importer in the world from 2015-2019 (SIPRI Report, 2020). This figure is a rapid increase of 212 percent when compared to before Sisi's administration. Egypt needs legal and political mechanisms to ensure a fairer balance between economic and military institutions. For example, the government should establish an external committee to oversee the military's economic role. Otherwise, instilling investor confidence in Egypt may become more difficult and further weaken Egypt's economic position.

The Egyptian Armed Forces (EAF) is widely known to play an influential and significant role in the national economy. EAF operates an economy that produces a wide range of consumer products from food, dairy and wheat products to cement, fertilizers and fuel distribution. The military is also heavily involved in infrastructure and public projects such as the construction of roads, ports, tunnels, and bridges. The military also plays a large enough role, through a large number of ex-officers holding high positions in the civil service, particularly in the management of public lands. Public land is essential for economic growth and for the development of important sectors, including urban development, manufacturing, tourism, and agriculture which make up the bulk of the Egyptian economy.

The military economy has grown significantly since 2013 in part because of the political stage that the ruling regime set for the military to have more central influence in governance arrangements (Sayighj, Y., 2019). But the cumulative effect of Egypt's chronic economic problems and its weak state institutions also creates opportunities for greater ties between military and civilian economic actors and the military's more profound implications in determining the direction of Egypt's economy.

The main problem of the Egyptian economy lies in how the state functions, which reflects how political power is generated and used (Sayighj, Y., 2019). Over the past few months, the Egyptian economy has experienced several problems which range from a significant level of external debt, higher inflation, a declining tourism sector which has an impact on the main source of national income, especially after the Covid-19 pandemic that hit the whole world. According to a report by the Central Bank of Egypt, by the end of 2021, Egypt's total debt will reach \$392

billion. This includes \$137 billion in foreign debt, which is four times as high as before the Arab Spring hit Egypt where it was 'only' \$33.7 billion. If the Sisi regime cannot fix its economic sector, then the next few years the Egyptian economy and finances will add more burdens and difficulties to Egypt and may lead to a bigger crisis that the state can no longer contain.

To meet these economic and financial challenges, Sisi's government must seek help either from its regional allies or from international borrowers such as the IMF. Before Russia-Ukraine began fighting in February 2022, Sisi visited Kuwait on February 22, 2022 to discuss strengthening the security and economy of the two countries (State Information Service, 2022). Apart from that, Sisi also made a visit to Saudi Arabia and was greeted by the Crown Prince, Mohammed bin Salman on March 8, 2022 (Arab News, 2022). Both visits are believed to be aimed at seeking financial assistance to prevent the effects of the war in Ukraine. Furthermore, on March 21, Abu Dhabi announced that it would invest \$2 billion in Egypt to mitigate the impact of the Russo-Ukrainian war on Egypt (Bloomberg, 2022). The amount is part of a \$20 billion investment plan agreed between the two countries in 2019 (Reuters, 2019). Then, Sisi's regime is also open to receiving support and assistance from Qatar despite the strains that have weakened Egypt-Qatar relations over the past few years. Qatari Foreign Minister Mohammad bin Abdulrahman Al Thani's visit to Cairo on March 29, 2022 resulted in a deal worth \$5 billion. Qatar's investment in Egypt has focused on the oil sector including the construction of a \$1.3 billion luxury hotel in Cairo's Nile Corniche (AlJazeera, 2022). In addition, the company Qatar Energy signed an agreement with ExxonMobil in which it will acquire 40% of the North Maraca sea area in the Mediterranean, while ExxonMobil (the operator) will own the remaining 60% stake. On March 30, 2022, Saudi Arabia deposited \$5 billion in Egypt's central bank to help stabilize its currency and financial institutions facing increasing pressure (Reuters, 2022).

This Gulf aid and support beyond Egypt's economic and financial crisis reflects the policy priorities and political commitments of Arab countries to Egypt. The aid and support demonstrates the shared interests and fears of the Gulf states. Saudi Arabia and the UAE, for example, have been politically involved in Egypt for the past ten years. Driven by fear and political turmoil caused by the Arab Spring. After the 2013 coup and the coming to power of the Sisi regime, Saudi Arabia, the UAE and Kuwait provided significant political and financial support to the Sisi regime. They poured billions of dollars over the last few years to stabilize their country and block any political change in Egypt. In addition, changing regional dynamics have brought Egypt, Saudi Arabia and the UAE closer together over the past few years. Their hostility towards the Muslim Brotherhood and fear of Turkey's and Iran's increasing regional role strengthen their ties that

have formed a common regional axis over the past few years. The axis also has a main purpose, which is to close everything the possibility of democratic change in the region and countering the influence of Iran and Turkey. Egypt has been a key player in achieving these goals over the last few years and Sisi has cleverly exploited Gulf states' fears of the aftershocks of the Arab Spring by leveraging them to support Egypt's economy.

Moreover, the recent rapprochement between Qatar and Egypt helped Sisi get more financial and economic aid. Despite the political differences between them since Sisi's rule, regional and global changes prompted the two to resolve their differences and restart bilateral relations over the past year. For Qatar, Egypt remains and will always be a key regional player that can assist Qatar in achieving Qatar's foreign policy goals in enhancing its regional and global role. On the other hand, Sisi's regime desperately needs foreign investment and financial support to stay afloat. After years of accusing Qatar of supporting terrorism destabilizing Egypt, the Sisi regime is changing course and its officials are now praising Qatar's regional and global role.

Egypt has received billions of dollars from either regional forces or global institutions over the past few years. However, the country continues to suffer economically, which raises questions about the impact of the financial aid it has received or will receive from the Gulf states and whether they can improve the lives of the Egyptian people. There are serious doubts that Gulf aid will make a real difference to the Egyptian economy in the long run. The Sisi regime has received similar financial aid between 2013 and 2016 from Gulf states that helped it survive post-coup difficulties. However, this huge amount of aid did not flow into society or improve the lives of the Egyptian people. In fact, most economic and human development indicators suggest otherwise. Poverty in Egypt is at its highest in the last decade and the Egyptian government has failed to provide proper health or education services which worsen living conditions for most Egyptians. In addition, most of the foreign aid and loans are used for large projects such as the construction of a new capital city which cost an estimated \$58 billion and the expansion of luxury real estate housing, both of which most cannot afford.

Egyptian society. And most importantly, the economic policies under Sisi's leadership did not target the average Egyptian but were rather designed for the benefit of his supporters, especially his military and security colleagues. Finally, many Egyptians continue to question and highlight the lack of transparency and accountability of government spending in Egypt, especially in terms of financial aid spending, coupled with Egypt's endemic corruption, raising doubts about their viability and whether they can improve Egypt's economic situation. The government has spent a lot of money on megaprojects, such as the construction of new cities and the Suez Canal,

which seem to serve only the political goals of the ruling regime. Therefore, the government needs to increase the transparency of public spending and explain the economic benefits to instill greater public and investor confidence in the government.

CONCLUSION

The last decade has been a rather difficult period in Egypt's modern history. The Arab Republic of Egypt has gone through two revolutions, and two constitutional amendments. The level of the terrorist threat is rising, demographic problems are worsening, and the impact of the pandemic is hitting the whole world, and Egypt is no exception. The new Egyptian authorities tried to solve problems that arose even before the Arab Spring. However, the strong leadership of President Abdel Fattah al-Sisi and the economic stagnation raises the issue of whether the events of 2011 will likely repeat itself. Egypt needs the right direction in economic development and to create political freedom, Egypt's economy has always been agrarian, relying on certain goods for export and key sectors to generate income. It may not be a coincidence after these decades, that the country is ruled by military leaders. Could this reflect something about the social formations in this country? This seems to be a research area worthy of further research by future researchers. Egyptian leaders must ensure economic recovery in Egypt, such as in terms of higher investment growth or increased employment. It is also a necessary condition for a serious, comprehensive fiscal restructuring. Several things also need to be done to open up resources for private investment to generate economic growth and employment. However, this restructuring must be followed by political and security stabilization in order for economic recovery to occur. Otherwise, this will only push the economy into a deeper recession. Therefore, political stability is one way out of this cycle of recession and social strife.

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