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## About this Series

Op-Med is an ongoing series of opinion pieces on topical issues in Mediterranean politics from a transatlantic perspective. The series brings together European, North American, and southern Mediterranean experts through the German Marshall Fund–Istituto Affari Internazionali strategic partnership. The series examines key questions surrounding the political, societal, and economic evolution of specific Mediterranean countries as well as the broader regional and international dynamics at play in the Mediterranean region as a whole.

## New Socio-Political Actors: The Brotherhood and Business in Egypt

by Jane Kinninmont

Along with the rest of the population, Egypt's business community was divided over the choice of president in Egypt's June presidential election run-off, proving that businesspeople cannot realistically be seen as a coherent or monolithic political force. Economic policy was never at the forefront of the campaign and it seems likely that businesspeople voted largely on who they thought was best placed to guide the country's political transition rather than on business-specific issues like taxation or investment laws. In fact, there was far less to distinguish the main contenders from each other when it came to business issues than when it came to identity politics. The race was close: the Muslim Brotherhood's candidate, Dr. Muhammad al-Mursi, won the two-candidate run-off with 51.7 percent of the vote. Although they were not the main focus of the election campaign, policies on economic and business issues will need to be a priority for Mursi. His popularity and success will depend on the extent to which he is able to reduce unemployment and make tangible improvements in living standards.

Roughly 1 million Egyptians have lost their jobs since the start of the uprising, as political uncertainty has deterred investors and tourists alike. The fall in income from investment and tourism has also bitten into the country's foreign reserves, which have more than halved since the fall of Mubarak, although Saudi aid has recently helped to stem the decline. The downward trend in reserves has fostered speculation that the Egyptian pound could be devalued. The new government will be hesitant about this, however, as it would add to inflation, already a major problem, that keeps eroding the purchasing power of impoverished Egyptians, 40 percent of whom live on less than US\$2 per day. Egypt's first post-Mubarak finance minister, Samir Radwan, told the BBC before the results were announced that whoever won Egypt's presidential election would have his sympathy, given the extent of the economic challenges the country faces.

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### Uncertainty Continues Over the Role of the Military

Some of these economic problems are symptoms of anxiety over uncertainty. In theory, the handover of power to an elected president could help to address the uncertainty over the country's political direction and future economic policy. The Egyptian stock market rose by 7.6 percent the day after Mursi's victory was announced, its biggest single-day gain since 2008. But the country's political future remains unclear. Wary of an Islamist government, the military unilaterally grabbed sweeping new powers the week before the election, including a virtual right of veto on the as-yet-unwritten new constitution, while also depriving the president of his traditional powers over defense and security. In addition, the constitutional court dissolved the elected parliament just before the presidential election, saying the election process had violated the constitution. The move was widely seen as another (slightly more subtle) element of the military's power-grab. A military advisor told Al-Jazeera the week before the election that the new president might only be in office for a few months, as fresh elections should be held once a constitution is in place. The old regime's former head of intelligence, Omar Suleiman, went further, telling a journalist that an Islamist government could take the country into a civil war, eventually warranting a military coup. Such fear-mongering may have been intended to encourage people to vote for Mursi's rival, Ahmed Shafiq, a former Air Force chief seen as the military's preferred candidate. But it also highlights the potential for political risks to continue.

The military likes to portray itself as the guardian of stability, and investors by and large welcome stability. But they are put off by uncertainty, by sudden about-faces in policy, and by opacity. There may well be a sizeable portion of the Egyptian business community that believes the

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military could be a useful secular counterweight to the Islamists. Yet the manner in which the Supreme Council of the Armed Forces (SCAF) has managed the transition in recent weeks — with sudden, unexpected, and unilateral announcements, followed by a four-day delay in the announcement of election results — has not built confidence in a smooth, clear, and gradual transition. Instead, it raises the specter of further sudden changes and unanticipated policy announcements. It also appears likely that there will be a continued absence of hard data on the military's important role in the economy.

### The Brotherhood Sketches out a Center-right Economic Position

In addition to the political uncertainty, Egypt's economy faces serious structural weaknesses — such as a dysfunctional bureaucracy, a collapsing mass education system, infrastructural deficiencies, and the predominance of the uncounted and unmapped informal economy — which predate the “revolution” and which will probably take years to address. So far, Egypt's economic fundamentals have not really changed since the fall of Mubarak. The two transitional cabinets in place since Mubarak was ousted in February 2011 have had limited scope to alter economic policy. A few noteworthy changes have been the introduction of a private-sector minimum wage, though set at a very low level, and the ending of the monopoly of a state-dominated union over labor organizations.

Like virtually all the candidates in the presidential elections, Mursi pledged greater spending on healthcare, education, and housing and spoke of the need to improve unions' rights. While increased social spending was on the agenda of all parties, the Brotherhood's Freedom and Justice Party (FJP) has in general adopted a center-right economic orientation. (Technically, and in line with a pre-election pledge, Mursi resigned from both the Brotherhood and the FJP after winning the election, in an attempt to present himself as a unifying president who rises above party divisions; however, he will continue to be seen as broadly aligned with both the social movement and the political party.) Among other things, the party has said it will:

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- expand the tax base by bringing more businesses into the formal economy, which may in fact be resisted by many small businesses who do not trust the state;<sup>1</sup>
- make the bureaucracy more streamlined and efficient;
- revitalize foreign and international investment; and
- set up an Islamic charity fund to help the poor, financed by a 2 percent voluntary zakat levy.

The FJP opposed the disbursement of an IMF loan before the presidential election, saying it did not object to the loan per se but did object to the timing. The government had been trying to obtain parliament's approval for its economic plan in order to show the IMF that there was agreement on the direction of economic policy. However it is unclear what will happen to the planned loan in the coming months while there is an ongoing dispute about the legality of the parliament. (Mursi issued a decree overruling the constitutional court's dissolution of parliament, but the court retorted that he did not have the power to do that).

### Competing for the Business Vote

Since winning a plurality of votes in the parliamentary elections in November 2011 and January 2012, the Brotherhood has been making efforts to reach out to both local and foreign businesses. Some of Egypt's most prominent and successful businesspeople were very close to the old regime, but others had already begun to hedge their bets prior to the uprising. The Brotherhood itself also includes some powerful and wealthy business figures. One of these figures, Hassen Malek, has established a new business association, the Egyptian Business Development Association, which includes a number of prominent Islamist businesspeople but is intended to reach out beyond the Brotherhood's own support base.<sup>2</sup>

There have also been meetings between key Western investors and representatives of the FJP, both in Egypt and elsewhere, since the parliamentary elections. A senior

1 When former finance minister Yousef Boutros-Ghali tried to introduce a progressive property tax in 2010, there was fierce public resistance, even though most of the Egyptian public would not have had to pay it.

2 See Al-Ahram, "First Brotherhood businessmen association to hold conference in March," February 2012, available at <http://english.ahram.org.eg/NewsContent/3/12/35579/Business/Economy/First-Brotherhood-businessmen-association-to-hold.aspx>

## The Brotherhood itself also includes some powerful and wealthy business figures.

Brotherhood figure,<sup>3</sup> Khairat Al Shater, addressed the American Chamber of Commerce in Egypt (Amcham) in May, saying that the development Egypt needed would require continued strong economic ties to the West, and that private investment would be needed for road, water, and electricity projects in particular, given the strain on government finances.<sup>4</sup>

Shafiq also addressed Amcham the same month, saying that his number one priority was security and the restoration of law and order, and suggesting that he would not rule out appointing Suleiman, the former intelligence chief, as his deputy. Shafiq was similarly pro-business but with somewhat more emphasis on the role of the state in providing national development projects as well as social services. Supporters pointed to his successful work in restructuring the state airline, Egypt Air, and in overseeing the extension of Cairo Airport, a profitable state enterprise, while he was civil aviation minister, though hundreds of airport workers demonstrated against him during the election campaign.

Shafiq was able to attract support from some prominent businesspeople, perhaps most notably Naguib Sawaris,<sup>5</sup> believed to be Egypt's wealthiest businessman, who is the head of Orascom Telecom, a prominent Egyptian Christian, and founder of a secular party, the Free Egyptians. The coalition-building seen in the election system indicated that the primary issues for this initial vote were issues of identity politics, not economic policy. The center-right Free Egyptians formed a bloc with a left-wing socialist party, Tagammu, based on their shared commitment to secularism

3 El Shaiter was the deputy general guide of the Muslim Brotherhood, but resigned from the movement's Guidance Bureau in order to stand for election as president on behalf of the FJP. However, he was disqualified for election because he had been in prison until March 2011.

4 A write-up by the Chamber of Commerce can be found here [http://www.amcham.org.eg/events\\_activities/events/details/Default.asp?ID=510&P=1](http://www.amcham.org.eg/events_activities/events/details/Default.asp?ID=510&P=1)

5 Sawaris fell foul of the more conservative Islamists, the Salafists, in the run-up to the parliamentary elections when Salafist MPs took him to court to complain about a joke he published on Twitter showing Minnie Mouse in hijab. The case was thrown out.

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and despite their very different economic policy orientations. As Egypt waited for the delayed announcement of the election results, Sawaris joined a number of other secularists in expressing concerns that the Brotherhood would impose “an Islamic state...where Christians don’t have the same rights.”

However, now that the Brotherhood’s victory has been confirmed, secular businesspeople may try to build relations with them on the basis of shared economic and business interests. In an interview given just before Mursi’s victory was confirmed, Sawaris said that reports that Christian businesspeople were leaving Egypt were only rumors, and that it would not be logical for someone with an established business to leave “just because one candidate or another won the elections.”

Other established businesspeople are likely to be pragmatic in trying to work with the newly empowered Islamists. Even a former senior member of Mubarak’s National Democratic Party, Mohamed Abul-Enein, a ceramics tycoon who used to head the parliamentary committee on industry, could be seen hedging his bets in an interview with the local *Al-Ahram*, saying “We have to support the new president, whether it is Mursi or Shafiq...we need...investments to grow and closed factories to re-open.”

Will the Muslim Brotherhood really be able to build a fairer Egypt with a more level playing field for business? Or will it be tempted to invent its own networks of nepotism and political patronage? Much depends on this choice.

### About the Author

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### About IAI

The Istituto Affari Internazionali (IAI), founded by Altiero Spinelli in 1965, does research in the fields of foreign policy, political economics, and international security. A non-profit organization, the IAI aims to disseminate knowledge through research studies, conferences, and publications. To that end, it cooperates with other research institutes, universities, and foundations in Italy and abroad and is a member of various international networks. More specifically, the main research sectors are European institutions and policies, Italian foreign policy, trends in the global economy and internationalization processes in Italy, the Mediterranean and the Middle East, defense economy and policy, and transatlantic relations. The IAI puts out an English-language quarterly (*The International Spectator*), an online webzine (*AffariInternazionali*), a series of research papers (*Quaderni IAI*) and an Italian foreign policy yearbook (*La Politica Estera dell’Italia*).