A Developmental Parody:
Rapid neo-liberalization in post-2011 Egypt and its social discontents
I-Introduction:

One of the most prevalent assumptions, deeply entrenched among different factions of the Egyptian opposition, concerns president Abdel-Fattah al-Sisi’s regime’s lack of a clear plan/vision for the future. By this, those advocating for the assumption claim that haphazardness has been the main feature of the current regime’s decision making. For sure, the extent of such haphazardness is widely debated among those factions. Nonetheless, for all of them the regime’s erratic planning is an elephant in the room that can not be neglected. Against this understanding, the author here argues that while the regime’s planning at a number of instances seemed questionable, it would still be a fallacy to take this claim of haphazardness for granted or even to generalize such categorization into all of the current regime’s mega-nationalist projects. Indeed, as this paper will strive to show, al-Sisi’s regime, via its mega-nationalist projects, is implementing a neoliberal agenda of socio-economic policies, threatening to inflict additional burden of poverty and misfortune on the shoulders of Egypt’s population. It follows here, accordingly, that I find all the regime’s talk about the developmental dimension of al-Sisi’s vision through attracting more foreign direct investment and prioritizing exports over the internal needs of the society not only as unsubstantiated but also as deceptive.

In this light, before delving into the topic, two points are in order. First, there is no such thing as economic policies. Rather, there is socio-economic policies. This is so because every economic policy does not get implemented in a vacuum. Thus, each economic decision or policy has obvious social implications, whether this policy was a traditional liberal policy such as cutting the public spending or neoliberal one encouraging deregulation and financialization. I thought I should emphasize this point as I came to notice during our discussions in Geneva that some of the participants misread this relation between what is economic and what is social, dealing with each as a separate field that does not relate to the other. In other words, there is a purpose behind replacing the ill-used economic policies with the more convenient socio-economic policies. That is, to be able to highlight the social consequences of any economic orientation a state adopts. Similarly, to remind those reading to keep in mind that when we say that al-Sisi is adopting a neoliberal agenda, that his regime is quite aware of the disastrous social implications this orientation carries and that by intensifying the neoliberalization process, it is explicitly involved in bringing on more hardships into the lives of those already suffering.

Second, we approach this topic using a relatively new political economy concept known as varieties of capitalism. Simply, this approach acknowledges that although all economies operating in the global economy are part of the same capitalist totality being influenced nowadays by a growing neoliberal current that targets valorizing the capital accumulation process. However, each of those economies can still hold a distinctive feature which does not stop it from pursuing the same goal. In Egypt’s case, this distinctive feature...
is the expedited phase, concealed in a steep nationalist rhetoric discourse, with which the regime is neoliberalizing the Egyptian society. In doing so, some observers, including myself, feels that the regime is dubiously trying to create an analogy between its projects and those of Gamal Abdel-Nasser’s in post-colonial Egypt. Surely, the latter is still highly regarded by certain sections of the society and holds a significant place in the collective memory of many Egyptians. However, the clear ideological difference between Nasser’s developmental socio-economic policies implemented in an attempt to build an independent state with an advanced economy in the face of imperialism and those of al-Sisi welcoming deeper integration into the new international division of labour on neoliberal terms par excellence compel me to consider this analogy as nothing but absurd. It is also crucial here to notice that the regime-sponsored expedited neoliberalization process in Egypt is benefiting from the coupling of fear and disappointment. By fear, I am referring to the state’s severe and continuous crackdown spreading terror among all kinds of oppositions. As for disappointment, it refers to the state of mind that started taking over large sections of the society from 2012 onwards following the failure of 2011 movement to actualize any of the masses’ demands.

---

5 This is not to say that I am blindly defending or identifying with Nasser’s regime. On the contrary, his regime’s failures to create the political and economic independence it promised should be considered as at least partially responsible for the later transformations Egypt witnessed, including the infitah (economic opening). Moreover, even if Nasser’s regime provided the masses with an unprecedented socio-economic rights, the social contract on which his regime was built) social and economic rights in exchange for apolitical stances (is no longer acceptable as it become the cornerstone of political oppression in Egypt up until now. Still, clear differences do exist between the two regimes, mainly ideological ones.

6 The riots were caused by Anwar al-Sadat regime’s decision to remove food subsidies, a decision suggested by the International Monetary Fund (IMF). However, the alleviation of subsidies was rescinded shortly after.

7 Stephen Roll”. Finance Matters: !The The Influ-
were invited to play a more direct political role and eventually a number of them did accept ministerial positions in vital portfolios. In another example, the government signed the Qualifying Industrial Zones (QIZ) with the US and Israel to boost exports. This was controversial move, not only because it encouraged the normalization of relations with Israel through trade but also because it benefited large private investors above all else. Decisions of this nature caused an internal split inside the governing party, the National Democratic Party (NDP), between those supporting Gamal Maburak, the President’s son with his neoliberal orientation and the old guard, fearing the outcome, in terms of the masses reaction, of this orientation. In the end, the fears of the latter group was justified in 2011 when the masses rose against the social inequality which exacerbated during the last ten years of Mubarak’s rule.

III - Neoliberalism and the developmental dystopia:

Nowadays, and following of what we can call the failure of 2011 uprising to force any of masses’ main demands to materialize, we can trace the reversal of that fear or reluctance to liberalize. In fact, the vulgar reversal into neoliberalism is astonishing especially that it is associated with a return of the mega-nationalist projects’ discourse and claims of pursuing development. Indeed, the strong neoliberal tendencies encrypted within this whole discourse are reflected in the mega-nationalist projects, which attempt to entrench a complete disregard to social manifestations of the regime’s social welfare policies.

neoliberalism. As while the regime celebrates the so-called nationalist achievements, it is in reality celebrating the triumph of neoliberalism, leading by example through its own projects. Interestingly, a number of these projects were financed through borrowing) debt-financing. This is reflected in the increasing governmental external debt, which now stands at %37 of the GDP after it was about %15 in the financial year 2014.

10.2014/2013

Still, I highly doubt that these projects can generate a genuine development, upon which job opportunities with a convenient wages /salaries levels will be offered or to expand the capabilities of both the industrial and agricultural sectors so as to provide a degree a self-sufficiency capable of supporting the country’s autonomy.

Yet, before we move on into the projects, one should highlight the context in which these projects are taking and why do I consider them as neoliberal. In 2013 the new constitution restricted the workers’ right to strike ‘peaceful strikes’. This opened the door for the legislation to criminalize striking labour whenever the state desires. Later, in 2014 a new law 32 for) 2014 also known as the Securing Corrupt Sales Contracts Law was enacted and by which all third parties are prevented from contesting any sales or investments contracts conducted by the government with any investor or entity. If we recall, the wave of privatization that Egypt witnessed in the 90s and early 2000s

permitted a number of individuals to purchase some governmental factories and companies in exchange for questionable amounts. After 2011, however, when a number of those sales faced litigation and judges found that those sales were based on some nefarious valuations, they ordered the government to restore those assets and to nullify the previous contracts of sales to private investors. For a regime that is trying to encourage private foreign and domestic investments at all costs, this was a strong blow, even with the former’s reluctance to obey the court’s decisions. So, according to the new law, the state is now permitted to re-initiate the privatization project without any fear of potential litigation or charges of fraud.

As a matter of fact, that is exactly what the new regime did last year, as it announced its plans to list a percentage of 23 public companies’ shares in the stock market. Aiding private investors did not stop here, as the “reform of investment regime” called for. (2015 announced in 2015 shows. According to this, the government guaranteed private investors the right to settle any investment dispute outside of courts and that the state is free to disburse lands and properties to investors in certain areas for free.) If 5 years, (Finally, the same law guaranteed investors in Egypt tax breaks as it sliced the tax rate on corporate income and personal income above EGP 1 Million to just 15.%22.5 In September, 2016 the regime introduced a 13% Value Added Tax (VAT) before raising later to 16.% Finally, with fiscal problems mounting on the government’s shoulders, it arranged for $12 billion from the IMF, to be received over 3 years. In return, al-Sisi’s regime announced its commitment to a new economic reform program based on the suggestions of the IMF, which included floating the currency and to eliminate all energy subsidies. Interestingly, despite Christine Lagarde’s insistence on the opposite, it can be seen that the kind of conditions the IMF still suggests are no less liberal than they used to be and that the talk about the IMF’s inclusive development is just a mere rhetoric. In fact, that decisions encouraging open markets, free zones, law wages, and production specialization and exports are considered as reform is so ironic, as these do anything but aiding the prospects of development.

As mentioned in the United Nations Conference on Trade and Development’s (UNCTAD) report, global trade is being dominated by big players, who enjoy the upper hand and capture most of the added value generated, leading to unequal

---

13. Ahmed Ya’a’coub”. Wazir al-Malihy: Tarh awal Sharhk Hokmiyah bil-Borsa Sebtember aw October -“The Minister of Finance: The Listing of the first Public Company in the stock market is to take place in September or October.- Youm il-Saba’a” -2018. https://www.youm7.com/story/2015/ %e8/4/23D9%88%8D%82D9%8A%8B1%8D%87% D9%84%89%85%8A%8D%89%8A%8D%A9- %8D%B7%8D%B1%8D%AD-%8A%8D%89%84- %8D%84%88%89%8A%8D%AD%8D%83%8D%8A%8D%AD%8D%89% D9%88%89%85%8A%8D%A9%8D%A8%8D%A7 %D9%84%88%8D%A8%89%89%8D%B1%8D%85%8D%89%8D%83%8D% D8%AA%8D%8B1%8D%83%8D%88%8D%8A%8D%81- %D8%83%8D%88%8D%A8%8D%A8%8D%A8%8D%81- %8A%A8%8D%B1/3759892 <]


15. Additionally, all calls for progressive taxation and for taxes on capital gains were ignored. An exceptional condition of capital gains, however, became taxable in 2015. That is 10%, tax on profits generated from selling a company’s shares if those shares sold exceeded 33% of the company’s total shares. (Ibid 20-21) and 81.


There are also rumors that the regime agreed to release about 4.5 million of the currently 6 million civil servants employed in governmental institutions.

trading relations negatively affecting developing countries. This makes the potential impact of international trade and foreign investments on developmental attempts questionable as domestic governments fail to capture a significant part of the value added and to reinvest it in industrial activities or infrastructure. The distrust shown towards the impacts of trade here is compounded with disbelief in the atmosphere neoliberal-hyperglobalization creates, especially that the latter does not encourage structural changes capable of aiding developmental processes. For example, its effect on Africa and West Asia are quite limited, as the exports of these two continents remain largely restricted to non-technological commodities of low value added.

The report goes further, and anticipates that “trade is unlikely to act as an independent engine of global growth,” especially in the absence of a strong global demand. Moreover, deregulation allowing for more capital freedom led to a surge in transnational corporations’ profits and to their growing concentration, with both aspects combined pushing the global labour income downwards. Hence, increase the income inequality. So, in a nutshell, free trade policies and neoliberalism (does not aid development. On the contrary, it encourages labour exploitation, fortification of specialization, and the retreat of the state from structurally organizing its own economy in way that prioritize its internal needs above all others. Additionally, it delimits the importance of matters such as self-sufficiency.

**IV-Case Studies: al-Sisi’s mega-nationalists projects**

Perhaps, the most famous of those mega-nationalist projects al-Sisi’s regime launched was that of the Suez Canal axis. The project’s plan includes establishing a new water lane, a new Suez Canal (and huge ship-service station) within the Suez Canal area. However, up until now, the project’s future since the inauguration of the new canal seems vague. The 3 million job opportunity promised to the masses during the pre-inauguration period are not actualized so far. More important, if we take into consideration the regime’s desire to attract foreign investment into the project and the nature of the jobs to be offered, we should not expect a high level of wages to workers employed there in the future, should the project get finalized. Another important point here, is that the regime insisted on proceeding with the project despite doubts surrounding its success and the huge cost the government incurred to finish the first part of the project. These doubts stem from the fact that the project depends on the global trade movement, already decelerating in comparison to previous decades. Thus, opening a new canal will not change this fact. Rather, unless the global trade movement is revived, this new canal will be completely useless. Now, what are neoliberal features I find inscribed within the project? First, the fact that the largest part of the project is directed towards providing services for ships passing by the canal means that the added value will not be as huge as it could have been if the money was invested in industrial projects that provide more job opportunities. The latter, ideally, could have also helped in cutting the dependence on imports which represents one of the heaviest burdens on the state’s current account balances instead of accepting this.

---

20. Ibid. P. V.
21. Ibid. P. VI and X.
22. Ibid. P. IV.
23. Ibid. P. VI.
intermediate role, confining Egypt’s role in the international division of labour and fortifying its dependence on the international market for many of the vital commodities it needs. Finally, the project includes real estate development, meaning that the state is encouraging even more speculation on the lands of the project. Similar, is the New Administrative Capital, a project on the outskirts of Cairo with an expected cost of 45 billion $Speculation on this project reached unprecedented levels, to the extent that almost all of project’s lands already sold out even though that the construction process is far from being finalized. So, why is the regime willing to invest such a huge amount in this project, noting the financial difficulties it suffer from, and not in others? Some observers believe that the regime intended to build a rich-ghetto outside Cairo, where governmental and private business can flourish away from the masses, as to avoid what happened in 2011. In a word, the regime is trying to avoid the threats 2011 movement imposed on the day to day business cycle, which deterred sections of the private sectors from investing in Egypt. Another important aspect related to the project, is the regime attempts to protect the interests of those investors working in real estate development and encourage others to follow them. In general, real estate developments and energy have been the main two appealing sectors to foreign investors, regardless of the incentives the regime keeping offering to investors in other sectors. So, the regime is unwilling to let one of its main attractive sectors deteriorate, notwithstanding what could have been achieved instead with that amount.

A third mega-nationalist which reflects the neoliberal intentions of the regime is the 1.5 million feddans. Originally, the regime announced that the youth will be granted 50% of the lands, with the other half going to investors and interested companies. Nevertheless, following later reductions, the youth’s share was cut down to just 25% of the total size of the land to be reclaimed. Moreover, the conditions the regime stipulated for the youth to apply were that they should be below the age of 40, not employed in a governmental job and who has at least 25% of the capital needed and willing to pay it upfront. On average, the cost per acre averages EGP. 200,000. Under such harsh conditions, new job opportunities would be extremely limited, if not impossible among those unemployed, about 13% of the population (and seeking to find a stable job). Unlike those seeking employment, these conditions favour investors. Indeed, between the slogans of “Reducing the food gap” and “exportation” surrounding the project, the second seems as the one prioritized by the regime, especially that the exact aims of the project were never declared clearly nor plans to enforce investors to cultivate specific strategic crops. So, while cutting down on food imports and filling the food gap sound vital for a country like Egypt, importing the majority of its food needs, the strategic crops needed to fulfil this task, wheat, barley, etc (were rarely mentioned in the regime’s campaign for the project.

As a matter of fact, other crops as fruits, olives and aromatics, more attractive to investors due to their higher mark etability in the international market, featured more heavily in these campaigns. That is why I find targets as exportation and filling the food gap irreconcilable. Further, it is highly doubtful that investors would be attracted towards crops covering domestic

---


needs and not those wanted on the international market. Should this project attract investors, they will enjoy the bargaining power and not the Egyptian State or society. So, even with the current vagueness surrounding the future of the project, the number of job opportunities it is going to offer and the conditions of employment, the regime seems to be favouring the investor’s need on internal ones, i.e., to disregard domestic strategic needs in favor of increasing its exports. By the same token, it is cementing its plans to accept specializing in producing commodities of low-added value.

Finally, few months ago, the regime inaugurated the National Cement Company. During the ceremony, Al-Sisi announced that the project will generate about 13,000 job opportunities. However, he also announced what seems to be the new conditions of public employment. First, he made it clear that the company will not be responsible for providing workers and employees with any housing facilities nor transportation. Second, he did not specify the level of wages the company is going to offer to those it employ. All in all, this was a precedent, as public sector companies, since Nasser’s times, used to provide their workers with benefits as housing and transportation, not to mention a stable wage. Of course, in the last few decades, this wage became no longer sufficient with the growing inflation. Yet, it accounted for one the state’s social responsibilities towards the individuals it employs. Therefore, Al-Sisi’s declarations should be taken as the official confirmation for the new role for the state, with less and less social responsibilities towards its citizens.

V -Conclusion:

If we apply the term socio-economic policies to most, if not all, of Al-Sisi’s mega-nationalistic projects, it will not be difficult to deduce that his regime is moving ahead with its plans to neoliberalize the Egyptian economy. The impact of such projects is expected to be nothing short of disastrous, as they target enriching the elites, foreigners and Egyptians, over the backs of Egyptian masses. For this simple reason, I chose to call the vision of Al-Sisi’s regime a developmental parody as it cannot introduce a genuine developmental process to alleviate the Egyptian society from the social catastrophes it is currently facing. Moreover, it increases the latter’s dependence on external factors, including the international market, to meet many of its strategic demands and gradually diminishes old hopes of achieving self-sufficiency and true independence. In fact, as long as the regime enforces this kind of plans, we should not expect anything but additional socio-economic deterioration.

26 For more on this project, see Kareem Megahed. “The social paradox of Al-Sisi’s 1.5 m acres.” Daily News Egypt, 2016, https://dailynewssegypt.com/2016/01/20/the-social-paradox-of-al-sisis1-5-m-acres/.
VI -Bibliography:


Sherif ,Nourhan et al .".[2015] Above the State: Multinational Corporations in Egypt ."ECESR.

Sherry ,Hassan" .[2017] Debunking the myth of a changing IMF :Unpacking conditionality in the
Arab region post-uprisings .” Arab NGO Network for Development. 2017,


This research paper was prepared by the 2018 ANND Study Week on Macroeconomic, Trade and Investment Policies alumnnus in his/her personal capacity. The opinions expressed in this paper are the author’s own and do not reflect the view of the Arab NGO Network for Development.