

Egyptian President Mursi seeks IMF loan

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On Wednesday the Egyptian government officially requested a \$4.8 billion loan from the International Monetary Fund (IMF). Egypt's new Islamist president, Mohamed Mursi, and Prime Minister Hisham Qandil invited the head of the IMF, Christine Lagarde, to Cairo to discuss the terms of the deal, which the Egyptian government aims to secure before the end of the year.

The loan request comes amidst a deepening economic crisis in Egypt after the ouster of longtime dictator Hosni Mubarak by mass working class protests on February 11 last year.

Since then Egypt's main sources of foreign exchange—tourism and foreign investment—have dropped sharply. Its foreign currency reserves have fallen from \$36 billion at the beginning of 2011 to \$14.4 billion, threatening Egypt's ability to purchase critical import goods such as wheat and refined oil products. According to official figures the budget deficit is expected to increase 12.5 percent to \$22.5 billion in the next fiscal year starting in July 2012.

The IMF reacted positively to the request. Lagarde praised Mursi as a president with “a future, a vision and a strategy.” She said the IMF will “respond quickly to this request” and that “a technical team will be arriving in Cairo in early September to work with the authorities on their programme and discuss possible forms of financial support from the IMF.”

Lagarde said that the total sum, details and conditions of the loan were still under discussion pointing to the “considerable challenges” Egypt faces, “including the need to restart growth and reduce budget and balance-of-payments deficits.”

“Getting the country's economy back on track and raising living standards for all will not be an easy task,” she added.

Lagarde's remarks reflect the concerns of the IMF and the Egyptian government, bound up with the preparations of a new IMF deal. While they seek to

intensify attacks on the Egyptian masses, they fear renewed struggles by the Egyptian working class.

It was the policy of free-market reforms, liberalization of the economy and privatisations worked out between the IMF and the Egyptian governments of Anwar al-Sadat and Hosni Mubarak that prepared the ground for the eruption of revolutionary mass struggles last year. Two decades after the last agreement between Egypt and the IMF in 1991, over 40 percent of the population lives on less than \$2 a day, while a small, super-rich layer has amassed incredible fortunes.

This layer is now working with global finance capital to continue the attacks on Egypt's population that were decisively rejected by the working class in last year's revolutions—though now cynically feigning concern for the Egyptian masses.

Lagarde stated that “the IMF has learned from the Arab transition” and that it now pays “specific attention to the underprivileged, to the poor in those countries.” She claimed that “the IMF is a partner who seeks to support both the Egyptian authorities and the Egyptian people” adding that “the Egyptian people have legitimate expectations for a better life and greater social justice.”

Qandil said that the economic program his government intends to present to the IMF will be focused more on social justice.

The claim that the IMF has changed and suddenly become a partner of the poor couldn't be more cynical. On the other side of the Mediterranean the IMF, together with the European Union and the World Bank, is waging a social counterrevolution against the Greek workers. Since the IMF approved a stand-by agreement (SBA) with Greece in May 2010, wages and pensions have been cut up to 60 percent, while the poverty rate has increased by 50 percent.

According to *Al Ahram Online*, the Egyptian Finance Minister Momtaz El-Said revealed that the loan granted

to Egypt would also be under the terms of an SBA.

While the IMF and Mursi are trying to blur the consequences of such an agreement for the working class, it would clearly be devastating. According to *Egypt Independent*, Lagarde stressed that IMF support has to be accompanied by an Egyptian economic program advancing fiscal, monetary and structural measures, which would require “determination” and “political courage.”

The Daily News Egypt wrote that “reports circulated that the IMF demanded of Egypt to lift food and fuel subsidies as a pre-condition for the loan.”

IMF demands for subsidy cuts are in line with the Muslim Brotherhood’s economic program. In May the Carnegie Middle East Center issued a paper titled “The Economic Agenda of the Islamist Party.” It approvingly noted that the Freedom and Justice Party (FJP), the MB’s political arm, has “pledged to tackle financial difficulties by proposing policies aimed at reducing the budget deficit. Foremost among them is the re-examination of the policy of subsidizing basic goods like bread and fuel.”

The IMF and the MB, the historic right-wing party of the Egyptian bourgeoisie, have a long tradition of attacking the Egyptian working class. In the 1970s the MB supported the *Infitah* (economic opening) carried out by Mubarak’s predecessor Sadat, which aimed to roll back the social reforms previously granted by the Egyptian regime under Colonel Gamal Abdel Nasser. Like the more recent policies under Mubarak, they provoked bitter class struggles.

When Sadat announced plans to cancel food subsidies in January 1977, the Egyptian masses rose up all over the country in bread riots. The protests were brutally crushed by the army, but Sadat reacted by withdrawing some of his policies.

Some bourgeois commentators voiced their concern about the revolutionary implications of IMF policies. In the Egyptian daily *Al Masry Al Youm*, Ahmad Shokr warns that “just as Mubarak’s reforms over the years were met with popular agitation so too may those of Egypt’s new rulers should they choose to follow a similar trajectory.”

Paul Sullivan, a professor at the National Defense University at Georgetown University, warns in a column for *Al Arabia News* that if “the great mass of the poor and near poor does not see their lives

improving, Egypt could face a revolution of the hungry. This could be much worse than what has happened so far. The history of revolutions points to the great potentials for this. The environment of Egypt points to this.”



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