

# President Mursi, IMF prepare austerity policies in Egypt

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On Monday Egypt's Islamist government greeted International Monetary Fund (IMF) officials in Cairo to discuss terms of a \$4.8 billion loan. President Mohamed Mursi, Prime Minister Hisham Kandil and new Egyptian finance minister Al-Mursi El-Sayed Hegazy met with IMF Middle East and Central Asia Department Director Masood Ahmed.

Both sides announced their commitment to conclude the deal in the coming weeks, and a technical team of the IMF will arrive in Cairo in the coming days. Hegazy, a US-trained economist appointed as finance minister by Mursi in a cabinet reshuffle on Sunday, announced that he was "completely ready to complete discussions" with the IMF.

Ahmed declared that "the IMF remains committed to support Egypt in addressing its increasing economic challenges and moving towards a more inclusive model of economic growth."

A stand-by agreement (SBA) between the IMF and Egypt was already struck in November. However, the Egyptian government proposed to postpone the final conclusion of the deal, amid mass protests against Mursi and the ruling Islamist Muslim Brotherhood (MB) before the constitutional referendum in December.

Confronted with hundreds of thousands of workers and youth demanding the fall of Mursi and the ruling MB, the Egyptian government shied away from concluding the deal and implementing deep austerity measures demanded by the IMF.

The Egyptian bourgeoisie is aware of the social and political consequences of bringing the IMF back to Egypt. Free-market reforms, economic liberalization, and privatization programs worked out between the IMF and the Egyptian ruling elite over more than three decades laid the ground for the revolutionary mass

struggles which ousted former dictator Hosni Mubarak in February 2011.

Since Mubarak's fall, social inequality in Egypt has deepened. Food prices are rising, and more than two decades after the last deal between the IMF and Egypt in 1991, over 40 percent of the population live on less than \$2 a day, while a tiny, super-rich layer at the top of society is increasing its fortunes.

Nevertheless, nearly two years after Mubarak's fall and after the passing last month of a new constitution—which enshrines the military's dictatorial powers and lays the basis for the Islamization of the state—the Egyptian bourgeoisie is pursuing and intensifying these attacks on the working class.

To justify a new deal with the IMF, the Egyptian bourgeoisie seeks to create a hopeless picture of a deepening financial and economic crisis which can only be resolved with IMF assistance.

The Egyptian Central Bank allowed the pound to weaken after propping it up in the past two years with an estimated \$20 billion. The Egyptian pound has hit its lowest point in eight years.

According to a Reuters report, a third of the Egyptian pound's devaluation since Mubarak's ouster happened in the last few weeks. The report suggested that this development was sparked by capital flight from wealthy households who hold over 600 billion pounds (\$93 billion) and are now dumping the pound and changing their fortunes into dollars. Reuters wrote that the only way to stop this "massive household flight from the pound is the prospect of external aid, particularly from the International Monetary Fund."

That is, the super-rich are pulling out their funds from Egypt to stoke a financial crisis that will serve as a pretext for a political offensive to impose massive austerity policies against the working class.

So far, no concrete details of the discussions between the Egyptian government and the IMF were revealed. However, it is clear that Mursi and the IMF are preparing historic attacks on the workers.

In November the IMF revealed some of the austerity measures which are planned. “Fiscal reforms are a key pillar under the program ... The authorities plan to reduce wasteful expenditures, including by reforming energy subsidies and better targeting them to vulnerable groups.”

Cutting of subsidies of fuel or bread on which masses of impoverished Egyptians depend will have devastating social consequences.

“Fiscal reforms” are a code word for government spending cuts. In the November statement the IMF demanded that Egypt reduces its “large budget sector deficit” from 11 percent of GDP in the past fiscal year to 8.5 percent until the end of 2014.

As the Mubarak regime, the MB will stop at nothing in order to implement what the IMF demands. “The government must take these measures. They can’t be postponed, even if they have a negative impact on the party,” said Mohammed Gouda, an economic expert of the Freedom and Justice Party (FJP), the political arm of the Muslim Brotherhood. He added, “I have to deal with the consequences.”

The MB called upon the different factions of the Egyptian bourgeoisie to close its ranks and support the new cabinet in order to carry out the historic attacks against the working class. Saad Al-Katatni, the FJP’s chairman demanded in a press statement: “The economic challenges require concerted efforts and I call on all political forces to put their differences aside and deal with the new government with only one aim: crossing the current economic crisis without delay.”

The official secular and pseudo-left opposition which is mostly gathered inside the National Salvation Front (NSF)—an umbrella group led by the liberal Mohamed El-Baradei, the Nasserite Hamdeen Sabahi and former Mubarak official Amr Moussa—are an integral part of the Egyptian bourgeoisie’s austerity drive against the working class. These forces first called upon Egyptians to support the constitutional referendum and are now signaling their support for Mursi’s drive for austerity.

In a recent comment for *Ahram Online* Mohamed Nusseir, a leading member of the Free Egyptians Party—which is run by multi-billionaire tycoon Naguib

Sawiris and part of the NSF—demanded that “Egyptians ... should fully recognise the legitimacy of President Morsi, and accept the fact that he will continue to be the president of Egypt for a full of four years.”

All the different factions of the Egyptian bourgeoisie fear the reemergence of mass revolutionary struggles by the working class only around two weeks before the second anniversary of the beginning of the Egyptian Revolution on January 25.

On Tuesday the MB requested that the Interior Ministry protect its offices and those of the FJP all over the country. Karem Radwan, a member of the FJP’s national committee made clear what the MB expects expressing his hope that the “interior minister would be firmer than his predecessor regarding attacks on our premises.”



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