

# Egypt's Central Bank governor resigns amid escalating economic and social crisis

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Last Wednesday, in a sign of the increasing financial and economic turmoil engulfing the brutal regime of Egypt's military dictator Abdel Fattah el-Sisi, central bank governor Tareq Amer resigned.

His departure, a year ahead of the end of his term of office, came as the Egyptian pound fell to 19.1 to the dollar, a 22 percent drop since March, as derivatives traders gambled on a further fall. It was the sharpest decline since December 2016 when the pound fell a month after a massive 48 percent devaluation implemented as one of the conditions for a bailout by the International Monetary Fund (IMF).

After currency traders withdrew billions from Egypt following Russia's invasion of Ukraine, the central bank allowed the pound to depreciate by roughly 12 percent in March and more recently to weaken further.

Egypt, the world's largest importer of wheat, with around 80 percent of its supplies coming from Russia and Ukraine, is one of the countries hardest hit by the war. Its tourism sector, which is heavily dependent upon both Russian and Ukrainian visitors, employs 10 percent of the country's workers and accounts for 12 percent of GDP, has seen a sharp fall.

The collapse of such a vital sector comes after the pandemic that not only shrank revenues but also upped expenditure on health, social welfare and support for tourism and the industrial sector, as remittances from Egyptians working in the Gulf fell and workers returned, swelling the ranks of the unemployed.

While the central bank raised interest rates and Saudi Arabia provided \$5 billion to shore up el-Sisi's coffers in March, this did little to stem the outflow of Egypt's foreign currency reserves. In April, the government announced a raft of new austerity measures, including cutbacks in government spending, the postponement of all new projects, a freeze on new hires and the privatization of state-owned companies. In May, Moody's, the ratings agency, downgraded Egypt's outlook to negative, citing fears of social unrest. A few days ago, the Health Ministry announced it intended to invest health insurance funds in the

stock exchange, sparking fears of yet another embezzlement of public monies.

These latest measures come on top of those imposed by el-Sisi in return for \$20 billion in loans from the IMF in 2016, when he slashed subsidies on basic domestic and agricultural commodities, raised fuel prices, imposed new taxes including a value added tax, cut the health and education budgets, fired government employees and allowed the currency to float. The measures have hiked up the cost of living with inflation now officially running at 15 percent. The prices of some foodstuffs have risen by 66 percent—ruining much of Egypt's middle class and leading to soaring poverty rates. Some 30 per cent of the population live below the poverty line, another 30 per cent are close to poverty and nearly 70 percent depend on food rations.

Last month, the children's cancer hospital in Tanta in the Nile Delta, providing treatment free of charge for around 3,000 young cancer patients a year, announced it would have to close, citing high costs and falling donations. Cairo's main cancer hospital faces the same dilemma. Government spending on healthcare accounts for just 3 percent of its budget.

Egypt's dilapidated health system proved incapable of coping with the pandemic. Starved of resources, with hospitals and clinics lacking the most basic equipment, including ventilators, oxygen supplies and personal protective equipment, tens of thousands of medical staff have emigrated over the last three years. As hundreds of doctors died of COVID-19, they were arrested and harassed for speaking out about the crisis in the country or questioning the government's totally unbelievable figure of 25,000 deaths, which they were held responsible for. Just 39 million of Egypt's 104 million population have received two vaccine doses.

The IMF is dictating this latest round of austerity measures after Egypt applied for further funding in March. This is largely to service the country's existing debts, which account for almost one third of government spending and 91 percent of GDP, and to fund el-Sisi's grandiose

projects—considered of little economic value. These include a \$58 billion new administrative capital some 28 miles out in the desert east of Cairo, a \$25 billion nuclear reactor and an \$8 billion expansion of the Suez Canal. El-Sisi is also making vast arms purchases—largely from the US despite Egypt’s appalling human rights record.

El-Sisi has turned to Saudi Arabia and the UAE for support. These countries have started to invest significant funds in Egypt, buying up some of the country’s most profitable state-owned assets and companies at knock-down prices. This has drawn Cairo into Washington’s anti-Iran alliance, with el-Sisi attending the Jeddah meeting with leaders from the Gulf States, Jordan and Iraq and US President Joe Biden in June. Egypt has played a key role in maintaining Israel’s criminal 15-year long blockade of the Gaza Strip—ruled by the Muslim Brotherhood-affiliated group Hamas—suppressing Palestinian opposition to Israeli rule and earlier this month brokering a ceasefire between Palestinian Islamic Jihad and Israel on Tel Aviv’s terms.

Within Egypt itself, el-Sisi rules with an iron fist, clamping down on all dissent to defend Egyptian and foreign capital in the country against a social explosion of the working class who face mass poverty, social inequality and a military kleptocracy that controls at least 40 percent of the economy. He has repeatedly renewed Egypt’s state of emergency, outlawing public meetings and demonstrations, sanctioning the detention of people without trial or even without charge and censoring the media.

Just last week, dozens of police fired tear gas to disperse protests against the government’s plans to demolish thousands of homes to make way for upscale development projects on the Warraq island on the Nile River in Giza, part of the Cairo conurbation, and made several arrests. It follows the demolition last month of a hospital, youth centre and two schools serving 6,500 students on the island.

Hardly a day goes by without more revelations of widespread abuses, from torture to enforced disappearances to the detention of tens of thousands of political prisoners. While el-Sisi denies there are political prisoners in Egypt, local and international human rights groups estimate that 65,000—many of whom have never stood trial—are being held behind bars, put there since he seized power in a bloody coup against the Muslim Brotherhood-affiliated government of President Mohammed Morsi in July 2013.

El-Sisi has cracked down not just on the Muslim Brotherhood—Egypt’s largest political opposition party, branded a terrorist organisation and outlawed—but opponents across the political spectrum. He is supported by the imperialist powers for his services in the region.

The well-known blogger and political activist, Alaa Abd el-Fattah, who holds dual British and Egyptian citizenship and

came to prominence as an early opponent of the Mubarak dictatorship, has spent much of the time since 2011 in jail on charges of inciting violence against the military and opposing laws banning protests. Sentenced to a further five years on terrorism charges for sharing a social media post about torture in a detention centre, el-Fattah has been on hunger strike for 119 days inside a desert prison north of Cairo.

Earlier this year, Egypt’s Arabic Network for Human Rights Information (ANHRI) announced the suspension of its activities after nearly two decades due to the authorities’ “increasing disregard for the rule of law, the growing violations of human rights and police harassment” and following “repeated persecutions against the organisation and its staff.”

Last week, Egyptian Prime Minister Mostafa Madbouly announced a reshuffle of his cabinet, in place since June 2018, aimed at cleaning up its debased public image and defusing public anger.

Among those dismissed include: the Health Minister Hala Zayed, who is linked to the bribery scandal of her ex-husband and granted licenses to private hospitals without enforcing any regulations regarding their operation; the Minister of Immigration, Nabila Makram, whose son was accused of a double murder in the US; the Minister of Irrigation and Water Resources, Dr Mohamed Abdel-Aty, widely blamed for Egypt’s handling of the Ethiopian Renaissance Dam, which threatens Egypt’s share in the waters of the Nile River; Education Minister Tariq Shawky, who presided over the failure of the new education system; and the Minister of the Business Sector, Hisham Tawfiq, responsible for the privatization of state-owned property.

Needless to say, key ministers holding the foreign affairs, defence, interior, finance and supply portfolios all kept their posts.



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