El-Sisi dictatorship plunges Egyptians into poverty, steps up repression

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More than one third of Egypt's 106 million population are living in poverty, while another 30 percent were teetering around the poverty line in 2019, according to World Bank estimates. That number has risen dramatically under the impact of the Covid-19 pandemic, and the US-NATO led war against Russia in Ukraine that has sent the price of grain soaring.

Inflation is raging at more than 30 percent as the Egyptian pound has fallen to half its value in the last year, with the black-market rate on which many depend even lower. Food prices have risen by more than 60 percent, with poultry, pasta, dairy and red meat rising faster. Many workers have been forced to seek second or even third jobs in order to put food on the table for their families.

The government plans to increase the price of basic commodities distributed through ration cards. More than 60 million of Egypt's 110 million population use the cards to buy 32 types of goods, including pasta, flour, and fava beans, at subsidised prices. The price of a bottle of vegetable oil will increase from 25 to 30 pounds ($0.81 to $0.97) while kilogram sacks of sugar and rice will go up from 10.50 to 12.60 pounds ($0.34-$0.41).

Professional workers are leaving the country in droves, while some workers are even crossing the border to seek work in war-torn Libya, where there are around 144,543 Egyptian migrants who are "routinely at risk of arbitrary or collective expulsion," according to a 2022 United Nations Institute of Migration report.

General Abdel Fattah el-Sisi, who overthrew the elected government of Muslim Brotherhood affiliated President Mohammed Morsi in a bloody coup in July 2013, has ruled the country with an iron fist ever since, using the country's anti-terrorism laws to jail around 60,000 people, many without charge or trial.

In anticipation of social unrest and renewed opposition, the authorities have added 81 human rights defenders to the "terrorism list" as part of broader efforts to silence regime critics and dissidents. Among those designated as "terrorists" are 32 Egyptian journalists from *Al Jazeera*, *Al Sharq*, *Mekameleen*, *Watan*, the *Rassd Network* and other news websites critical of the government. Ayman Nour, a former presidential candidate previously subject to government surveillance, is on the list.

It is believed that all those named are living in exile. The government is refusing to provide or renew identity documents to dissidents, journalists and political activists living abroad, exposing them to the risk of deportation, to pressure them to return to Egypt. According to a Human Rights Watch (HRW) report, dissidents based in Saudi Arabia, Sudan, Kuwait and Malaysia have in recent years been extradited, with some later sentenced to years in prison. Some of those interviewed by HRW were considering attempting to "migrate irregularly" from Turkey to Europe to apply for political asylum.

Egypt, the second largest debtor to the International Monetary Fund (IMF), has received $13.5 billion in loans from the institution. In return, it has pledged to float the currency, implement a massive privatisation programme, rein in the military's role in the economy, increase taxes and impose stringent austerity measures. The IMF has estimated that Cairo needs $17 billion over the next four years to cover its financing gap, largely to cover the cost of el-Sisi's megaprojects that have benefited the military's construction companies. Others believe the required figure is much larger. Oxford Economics Africa calculates that Egypt's external financing gap may already be closer to $20 billion this year and $29 billion in 2024.

A rare lengthy article on the subject in the *New York Times*, "As Egypt Faces Crisis", pointing to "rising discontent and a sinking economy", expresses the deep worry in ruling circles at the situation, especially given Egypt's history of mass working-class action.

Foreign currency has all but dried up, despite the central bank raising interest rates to 19 percent. The shortage means goods are piled up at Egypt's ports, with ships waiting to be unloaded. Importers without access to foreign currency due to reduced allocations to non-governmental importers, the shortage of dollars, and the depletion of the central bank's reserves are unable to get their goods released from customs. This and the soaring cost of loans has forced small businesses to fold.

In May, Moody's, the credit ratings agency, warned that a prolonged conflict in neighbouring Sudan could pose a credit-negative risk for countries in the region, including Egypt. Should the armed conflict between two rival military factions—one backed by the US and the other by Russia and the United Arab Emirates (UAE)—now engulfing the country spill over the border it would trigger concerns by the banks that have lent to Egypt, Chad, South Sudan and Ethiopia. It would disrupt the flow of investments into Egypt, while the numbers of Sudanese fleeing the fighting would force down wages and increase the poverty rate.

So great is Egypt's debt crisis—more than 100 percent of GDP—that more than half of the government's budget for the 2023-34 fiscal year will go on debt servicing ($78.8 billion), after the Big Three credit ratings agencies downgraded the country's credit worthiness. It means gutting what remains of public funding for health, education, and social welfare. Around half of government revenues ($69.2 billion) are set to come from loans.

El-Sisi has announced that the government will develop three other sources of capital inflows: foreign direct investments, exports and the private sector. He undoubtedly calculates that Egypt is "too big to fail," but the butcher of Cairo's plans have as yet come to nought.

Only a fraction of his promised privatisations have materialised, with the sale of the government's Paint and Chemical Industries and its 9.5 percent stake in Telecom Egypt raising just $146 million—mostly in local currency not dollars—of the $2.5 billion target by June 2023.

Egyptian businesses, struggling with the high cost of financing their operations, including the cost of foreign currency to pay for raw materials, face falling demand in key export markets as a result of the economic fallout of the war in Ukraine.

The oil rich Gulf States that have shored up the el-Sisi regime in the past are taking a tougher line, insisting on buying only commercial investments and demanding the government curb the military's economic role, which stretches from agriculture and food farms to construction and food factories. Saudi Arabia's Finance Minister Mohammed al-Jadaan, speaking at the World Economic Forum in Davos in January, said, "We used to give direct grants and deposits without strings attached, and we are changing that. We are taxing our people. We expect others to do the same."

Riyadh's Public Investment Fund, which had pledged $10 billion in investment funds, pulled out of negotiations to buy the state-owned United Bank after the plummeting Egyptian pound wiped hundreds of millions off its dollar value. The Qatar Investment Authority declined to take a stake in a military-owned biscuit manufacturer, saying it would only consider profitable ventures, while the UAE's sovereign wealth fund ADQ has declined to buy Egypt's state-owned and military-controlled companies. With most military-owned companies depending on the state for funding and their financial arrangements anything but transparent, Egypt's privatisation programme has struggled to find buyers.

This has prompted Egypt to release *Al Jazeera* journalist Hisham Abdelaziz, who had been held in pretrial detention for nearly four years. The authorities had detained Abdelaziz, an Egyptian journalist working in Qatar for *Al Jazeera's Mubasher* channel, at Cairo International Airport in June 2019 while traveling for a family visit. The state prosecutor ordered him detained on charges of "belonging to a terrorist group and spreading fake news"—commonly slapped on government critics. Egypt had targeted the network because of Doha's support for the Muslim Brotherhood.

So desperate is the Egyptian government to secure US dollars to pay for imports, it has eased its citizenship requirements for foreigners—typically those who have fled wars and violence in Iraq, Libya, Syria and Yemen. They can now obtain citizenship by investing $300,000, instead of $500,000 in real estate, including land and buildings owned by the government or Egyptian citizens, or by providing $350,000 to investment projects or depositing $500,000 in a local bank.

In April, the government decided to charge foreign yachts and tourist ships anchoring in Egyptian ports in US dollars instead of the Egyptian pound.