

EU, IMF and regional powers bail out Egypt in return for services rendered to Israel's genocidal war

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25 March 2024

In the face of its worst economic crisis in 50-60 years and rising social tensions, Egypt has leveraged its position as Israel's key accomplice in the Zionist regime's genocidal war on Gaza to secure a series of bailouts from the International Monetary Fund, the European Union (EU) and Cairo's Gulf allies.

Last weekend, European Commission President Ursula von der Leyen went to Cairo, along with leaders from Austria, Belgium, Cyprus, Greece and Italy, to sign a deal with the Butcher of Cairo, Abdel Fattah el-Sisi. Branded as an \$8.1 billion "aid package," its purpose is to help shore up the economy of the most important country in the Arab world, whose collapse would destabilise the region and precipitate mass migrant flows to Europe.

Egypt is home to around 10 million Middle East migrants, including 450,000 people who have fled the 11-month long civil war in neighbouring Sudan.

EU funding includes \$5.45 billion of concessional loans and \$2 billion of investment in renewable energy, trade and "security"—meaning support for Egypt's armed security forces—over the next three years.

Egypt's economy, in decline for decades, was hard hit by the COVID-19 pandemic that sent tourism, a vital 15 percent of its economy, plummeting and led to the return of workers from the Gulf and the loss of their remittances, swelling the ranks of the unemployed. This was compounded by the outbreak of the US/NATO war against Russia in Ukraine pushing up the cost of agricultural imports, particularly wheat, maize and cooking oils. The two combined led to a \$20 billion outflow of speculative capital—more than half of all the hot money invested in the country—seeking a higher rate of interest.

The war in Gaza led to a further decline in tourism and a catastrophic 50 percent fall in revenues from the Suez

Canal as ships avoided the Red Sea route following attacks on commercial vessels linked to Israel and its US and UK backers by Yemen's Houthi rebels. This has battered Egypt's manufacturing, pharmaceutical and textile industries.

The war has also affected its energy market, with its re-exports of gas falling by more than 50 percent in the last quarter of 2023 compared with the same period in 2022.

Egypt's economic problems have been exacerbated by el-Sisi's vanity mega-projects, including an \$8 billion widening of the Suez Canal, whose promised increased revenues failed to materialise; a \$300 billion investment in new roads, ports and railways; a massive rearmament programme; and a \$58 billion new administrative capital under construction since 2015—in the desert, 28 miles away from any renewed popular uprising in Cairo.

As a result, Egypt spends \$32.79 billion, more than half of its budget, on debt servicing. The beneficiaries have been the military-linked companies that dominate Egypt's economy and the army that now controls one quarter of the budget.

Unemployment, underemployment and anger over the lack of education and healthcare services is widespread. Around 30 percent of Egypt's 108 million population live below the poverty line while another 30 percent are teetering on its edge. Egypt, once the pre-eminent power in the Middle East that even in the late 1960s was more prosperous than South Korea and Taiwan, has the sixth lowest GDP per capita in the region and the fourth lowest literacy rate.

El-Sisi maintains his rule with an iron fist far worse than that of longtime dictator Hosni Mubarak. Hundreds of political opponents have been killed in the last decade of his rule and 65,000 political detainees are incarcerated in Egypt's jails, many without charge or trial, where they

are subject to torture. Eight senior opposition leaders have recently been sentenced to death.

Independent media is censored, and international journalists have been subject to arrest, with *Al Jazeera* journalists detained for years without charges. All strikes and protests are brutally suppressed.

Amid concerns over Egypt's "security", the European powers have cast aside their hypocritical criticisms of his human rights abuses. They fear Israel's planned ground offensive on Gaza's southern city of Rafah on Egypt's border, which could force hundreds of thousands of Palestinians to break into Egypt's Sinai Peninsula, might be the straw that breaks the camel's back.

El-Sisi's regime is up to its neck in the genocide. It has sealed off Gaza's southern border and is closely coordinating its actions with Netanyahu's fascist regime in the blockade of aid deliveries and construction of a temporary holding pen for the Palestinians should they break through the border crossing. Its military is waging a brutal war against the population of the Sinai Peninsula under the guise of fighting "Islamist terror," using similar methods to Israel against the Palestinians.

The EU deal follows the decision of Egypt's Central Bank to raise interest rates by an unprecedented 6 percentage points and to float the pound, causing the currency to fall 60 percent and the cost of imported goods to rise. The government has agreed to privatise its state-owned enterprises and reduce its spending on infrastructure projects and social welfare. These measures are part of a package of "market reforms" made in return for a \$5 billion IMF loan, in addition to the \$3 billion agreed in December 2022. This additional loan comes despite the IMF withholding funds last year due to concerns about government abuse and mismanagement.

More money is on the way. On Monday, the IMF's sister organisation, the World Bank, announced it will provide Egypt with more than \$6 billion in financial assistance over the next three years "to help it meet its development goals."

These loans follow Cairo's sale last month of the development rights to the Ras el-Hekma coastal resort on the Mediterranean to the United Arab Emirates (UAE) for \$35 billion, touted as Egypt's largest ever deal, with an immediate downpayment from the UAE of \$10 billion. Under the agreement, UAE sovereign wealth fund ADQ will develop the resort that will include hotels, entertainment projects, financial and business districts as well as an airport south of the city.

Saudi Arabia's Public Investment Fund and the Qatar

Investment Authority have been in talks to develop similar deals.

These deals with Egypt's brutal dictator indicate the real nature of the discussions between the Biden administration in the US, Egypt and the Gulf states held under the cover of negotiations for a ceasefire and the release of the Israeli hostages held by Hamas in Gaza. At issue is how to prevent the collapse of the largest and most strategically important state in the Arab world as the Gaza war threatens regional stability.

Just weeks before the talks, Egypt's sham presidential elections in December returned el-Sisi to power until 2030, with 90 percent of the vote against candidates from parties that are part of the regime. The US and leading European powers repeatedly expressed their support before the elections.

The military regime's complicity in the genocide of the Palestinians is closely tied to its suppression of the working class in Egypt. El-Sisi's toppling of Mohamed Morsi in July 2013 was not simply directed against the Muslim Brotherhood, but at the bloody suppression of the Egyptian working class, the most powerful in the region.

Millions of workers and young people had overthrown Mubarak in January 2011 after days of mass strikes and protests, shaking not just Egyptian capitalism but the entire region. While the el-Sisi military dictatorship has done everything in its power to drown the mass movement in blood, it is sitting on a social powder keg, as all the imperialist and regional powers are fully aware.

Thousands have protested Israel's genocide in Gaza. In February, textile workers in Mahalla al Kubra, a historic centre of the class struggle in Egypt, went on a week-long strike for an increase in the minimum wage, forcing a concession from el-Sisi and signalling the growing opposition of the working class to his counter-revolutionary military dictatorship.



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