

# Egypt's Summer of Discontent

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Brief Analysis

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**Even as it prods Egypt's political actors to dial down the tension, Washington should help the country's military leaders prepare for even greater instability.**

**D**ue to a moribund economy, fuel and food shortages, and a lack of political opportunities, Egypt faces a tumultuous summer, and conditions will likely continue to deteriorate thereafter. While Washington should encourage Cairo to undertake necessary political and economic reforms that might calm the situation and improve governance, the Obama administration should concentrate on preserving vital strategic interests in the event of renewed upheaval.

## A SUMMER OF SHORTAGES

**S**ince Egypt's 2011 revolution, persistent political uncertainty and plummeting domestic security have undermined foreign investment and harmed the country's once-vibrant tourism industry. According to the Interior Ministry, the past year has witnessed a 120 percent increase in murders, 350 percent increase in robberies, and 145 percent jump in kidnappings. Foreign currency reserves dropped from approximately \$36 billion at the time of Hosni Mubarak's ouster to \$14.42 billion at the end of April 2013, with a \$2 billion Libyan cash deposit in late March inflating the latter figure. Meanwhile, according to the *Financial Times*, Egypt's public sector salary bill has risen by 80 percent since the uprising to \$25 billion annually; 400,000 government jobs have been added, and an additional 400,000 will be made permanent by the end of June.

This combination of shrinking reserves and growing expenditures is threatening the government's ability to import wheat and fuel, which it sells at subsidized rates. Fuel and fertilizer shortages have also impacted domestic wheat production, which is unlikely to reach Cairo's goal of 9.5 million tons -- a benchmark intended to reduce Egypt's dependence on foreign imports. The fuel shortages have also catalyzed regular electricity outages (including multiple times in one day at Cairo International Airport), and rural areas are reporting water outages. These problems are expected to worsen as Egyptians turn on their air conditioners during the summer; the situation will become especially uncomfortable once Ramadan begins in early July, when approximately 90 percent of the

population will be observing the month-long fast during daylight hours.

Historically, wheat shortages and subsidy cuts have sparked mass protests in Egypt, such as the 1977 "Bread Riots" and the demonstrations that accompanied the 2008 global food crisis. Indeed, fuel shortages have already given rise to sporadic protests nationwide since March. Although these demonstrations have been relatively small thus far, summertime power outages that make it too uncomfortable to be indoors could force more people into the streets.

## **A COMBUSTIBLE POLITICAL ENVIRONMENT**

**S**ince November 2012 -- when President Muhammad Morsi asserted virtually unchecked executive authority and rushed an Islamist-dominated constitutional process to ratification -- Egypt's non-Islamist opposition has protested the Muslim Brotherhood-led government's autocratic behavior and increasingly questioned its legitimacy. For many activists, the Brotherhood's use of violence against non-Islamist protesters on December 5 represented the point of no return; the group's subsequent assaults on media freedom (e.g., prosecuting journalists who criticize Morsi) have led some to call for the military to return to power.

The latest iteration of this movement is the "Tamarod" (rebellion) petition campaign, which opposition activists launched on May 1. The campaign seeks to "withdraw confidence" in Morsi and rally public support for early presidential elections by focusing on specific grievances, including the persistent lack of security, ongoing poverty, and Morsi's supposed "subservience to the Americans." While the petition will likely fall short of the 15 million signatures its supporters hope to collect by June 30 -- the one-year anniversary of Morsi's inauguration -- the fact that it has already collected 2 million indicates widespread frustration, and June 30 may emerge as a major protest date.

The Brotherhood's response to these political challenges has only exacerbated the situation and seemingly strengthened the opposition's resolve. Rather than engaging its opponents, the government is repressing them. Ahmed Maher, founder of the "April 6" opposition movement, was recently arrested after returning from a trip to the United States, charged with inciting protests outside the interior minister's house. The prosecutor-general is also investigating two prominent television hosts -- Amr Adib and former parliamentarian Mohamed Sherdy -- for supporting the Tamarod campaign.

## **NO WAY OUT?**

**U**nfortunately, Egypt's political polarization will likely persist well beyond the summer. The opposition will probably continue to be excluded from the political process. The next parliamentary elections, which have not yet been scheduled, are unlikely to occur before September, leaving street protests as the only viable avenue for opposition dissent. Moreover, when elections finally do occur, the Brotherhood will likely win again: even if the main opposition bloc (the National Salvation Front) abandons its current boycott commitment, as many analysts expect, its late entry will complicate efforts to compete with the Brotherhood's nationwide network, which has been in campaign mode since the beginning of the year.

In the interim, the Brotherhood appears unlikely to abandon exclusivist rule. Morsi's latest round of cabinet appointments further expanded the number of Brotherhood-affiliated ministers without adding any from non-Islamist parties, and he has rebuffed opposition demands to remove the interior and information ministers. Moreover, the officials who will lead the negotiations with the International Monetary Fund (IMF) for a \$4.8 billion loan are all Muslim Brothers.

This polarization will significantly inhibit Egypt's economic recovery for the foreseeable future. Morsi's apparent focus on consolidating the Brotherhood's power is contrary to the IMF's insistence on more inclusive governance, which the agency views as necessary for ensuring broad political support for any loan. In addition, persistent

political tension and civil strife will deter foreign investment and keep tourists away, leaving Egypt reliant on petrodollar infusions (e.g., from Qatar and Libya) that are unlikely to continue flowing indefinitely. The cash crunch will also complicate government efforts to restore security, further compounding lawlessness and economic woes.

Meanwhile, the military does not appear willing or able to steer the country in a more positive direction. Although the armed forces are generally considered Egypt's strongest institution, the generals have repeatedly signaled their lack of interest in returning to power. They recognize that they performed poorly when they ran the country prior to Morsi's election, and they seem to know they are no more likely to succeed in governing than the Brotherhood given the extent of Egypt's challenges. In addition, the military's undemocratic nature makes it incapable of engendering the kind of broad consensus needed for reform.

## U.S. POLICY RECOMMENDATIONS

**E**gypt's worsening economic and political frustrations, coupled with the state's declining ability to maintain order, make upheaval a strong possibility this summer and beyond. Washington should therefore focus on two goals.

First, it should continue encouraging Egypt's political actors to dial down the tension. This means telling the opposition not to give up on politics, since participation in the current system provides a more likely path to power sharing than calling for a "rebellion" against Morsi, which would only exacerbate the country's instability and further damage the economy. As for the Muslim Brotherhood, Washington should tell Cairo that the painful choices required by necessary economic reform (e.g., tax increases and subsidy cuts) make including the opposition and forging political consensus vital. U.S. officials should also point out that Egypt cannot rely on petrodollar infusions to sustain its shrinking cash reserves indefinitely, and that failure to institute vital reforms will ultimately lead its benefactors to view it as a bad investment.

Second, Washington should prepare for the likelihood that the Brotherhood and opposition will reject this advice, and plan for potential instability. In particular, the administration should focus on the three strategic interests that could be jeopardized:

1. The Egyptian-Israeli peace treaty, which may come under pressure if turmoil leads to greater violence from Sinai or more hostile populist politics from Cairo
2. The security of the Suez Canal, which recent civil unrest has already put at risk
3. Counterterrorism cooperation, given the recent emergence of Salafist jihadists in Egypt

Since the Egyptian military is primarily responsible for each of these items, the Obama administration should work with the generals to ensure that contingency plans are in place if the country's summer of discontent boils over.

*Eric Trager is the Next Generation fellow at The Washington Institute.* ❖

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