Egypt after Mubarak: Whither the Revolution?

by David Schenker **(/experts/david-schenker)**

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Brief Analysis

On October 3, 2011, Abdel Monem Said Aly, David Schenker, and Nabeel Khoury addressed a Policy Forum at The Washington Institute. Dr. Aly is president of the al-Ahram Center for Political and Strategic Studies in Cairo and a Senior Fellow at the Crown Center for Middle East Studies at Brandeis University. Mr. Schenker, the Aufzien fellow and director of the Program on Arab Politics at the Institute, is author of Egypt's Enduring Challenges: Shaping the Post-Mubarak Environment. *Mr. Khoury is director of the Office of Analysis for Near East and South Asia in the State Department's Bureau of Intelligence and Research. The following is a rapporteur's summary of Dr. Aly and Mr. Schenker's remarks. Mr. Khoury's remarks were off the record.*

ABDEL MONEM SAID ALY

Assessing the Egyptian revolution is very difficult because it is not over yet. Just as the world was caught off guard by past revolutions in eastern and central Europe, it has once again been surprised by the Arab uprisings. To best understand the current situation in Egypt, one should concentrate on two contradictory forces: the continued survival of state institutions and the modus operandi of the revolutionaries. Bureaucrats and liberal youths both agree that the past system was not acceptable, yet they differ on how to effect change. The former have opted to use bureaucratic institutions while the latter prefer to continue the successful revolutionary tactic of demonstrations.

Despite recent events, Egypt's state institutions have persisted largely due to the strength of the Supreme Council of the Armed Forces (SCAF), the judiciary, and the bureaucracy. Yet these institutions can move forward only by cooperating with the Wafd Party and various Islamist factions, as well as with the intellectuals and youths who began the protests in February.

Several significant points of contention have emerged between the bureaucratic and revolutionary forces regarding how the country should be ruled, what the constitution should look like, and how to transition from SCAF to civilian rule. These tensions have produced three paradigms for resolving Egypt's problems:

1. a liberal framework emphasizing the necessity of democratic transformation with little focus on economic issues,

2. an Islamist model, which posits that morality, rather than a specific political system, determines a society's success or failure, and

3. a bureaucratic solution, which holds that government technocrats are best prepared to run the country economically and legally.

At present, it is difficult to predict where Egypt is headed. Although the Muslim Brotherhood has made some political gains, it did not fare well in the most recent student union elections. And despite continued protests, the revolution has already brought significant change. In the process of toppling Mubarak, the Egyptian consciousness has been altered, and this will be reflected in the new constitution.

Regarding external matters, neither the SCAF nor the revolutionaries have substantially discussed a vision for Egypt's foreign policy. The emerging consensus clearly reflects prevailing anti-Mubarak sentiment, meaning less coordination with Washington and Israel. Yet the Egyptian-Israeli relationship has endured despite going through rough times recently. In fact, the media has exaggerated the tensions between the two countries to some degree. Yes, the Israeli ambassador left Egypt last month after the embassy incident, but he returned soon after the situation calmed. This is important because it shows that even amid pressures and challenges, the bilateral relationship can weather the storm. The two nations will need to cooperate more in the months ahead, especially when dealing with the Sinai situation.

In assessing what Egypt's government might look like months or years from now, one must remember that there is no model for a viable governing system besides the one that currently exists, despite the presence of revolutionary elements who reject anything associated with the former regime. With this in mind, the most effective means for change at this point will come from actions taken not on the street, but through state institutions.

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Politics in post-Mubarak Egypt have taken on a confrontational character. The street has become a principal means for expressing political and economic frustrations, many of which are directed at the SCAF. For example, when the Islamists want to oppose the passage of "supraconstitutional principles" enshrining the "civil state," they threaten to hit the street and start a "second revolution." And according to the Egyptian daily al-Masry al-Youm, the theme of this week's demonstration in Tahrir Square is "Thank you, [now] go back to your barracks."

Although the political contestation is promising in certain respects, Egypt's economic trajectory -- a key factor in the revolution -- is of great concern. Prior to the uprising, the country's macroeconomic performance was impressive. From 2004 to 2010, Egypt averaged about 7 percent growth in gross domestic product (GDP) per year, achieving 4.7 percent growth even during the 2008/2009 global financial meltdown. Yet there was little if any trickle-down to the people.

Since the revolution, two of the country's three major economic sectors -- tourism and foreign direct investment (FDI) -- have been hit hard. Today, the official unemployment rate is 12 percent, and unofficial assessments indicate that as many as one out of every five Egyptians could be out of work. To generate the nearly 700,000 new jobs per year required to keep the unemployment rate constant, the country would need to return to its days of 7 percent annual GDP growth. Yet its GDP has increased by only 1.8 percent this year, and it will be lucky to register any growth at all in 2012.

Meanwhile, tourism -- which accounts for 11 percent of the economy -- is down by 50 percent and is unlikely to return to normal anytime soon due to ongoing security problems. Those same problems, along with uncertainty regarding the direction of Egyptian politics, will also likely stymie critical FDI inflows in the coming years. Indeed, capital is already flowing out of the country. The Egyptian people are feeling increasingly insecure, and for good

reason -- crime is increasing, and there are fewer police on the beat.

The economic problems have been exacerbated by the extremely high expectations following the revolution. Much of the impetus for the uprising was the call for "social justice," a term that many Egyptians equate with income redistribution and/or a return to Nasserism. In the new environment, politicians are likely to promise the moon, with potentially disastrous consequences. For example, in order to create new jobs, they could resort to expanding government hiring, raising salaries for civil servants, reinstating phased-out subsidies, increasing corporate taxes, or even nationalizing privatized companies. Any of these measures would further deteriorate the economy, a development that would likely benefit the Islamists politically. In fact, signs of irrational, populist economic decisionmaking have already materialized: this summer, Cairo turned down a low-interest $3 billion International Monetary Fund (IMF) loan, even though the money came with virtually no conditions.

Populist decisionmaking is also creeping into Egypt's relationship with Israel. Following the August border incident in which Egyptian policemen were killed, several leading non-Islamist politicians -- including Amr Mousa, Ayman Nour, El Sayed El Badawy, Hisham al-Bastawisi, and George Ishaq -- signed a petition demanding that the government expel the Israeli ambassador from Cairo, withdraw Egypt's envoy from Tel Aviv, prevent Israeli ships from transiting the Suez Canal, secure the extradition of Israeli soldiers to Egypt to stand trial, review the longstanding state of normalization with Israel, and consider ending natural gas exports to the Jewish state. Mousa, the current frontrunner to be Egypt's next president, is also demanding that the United States release Sheikh Omar Abdul Rahman, the mastermind of the 1993 World Trade Center bombing, from prison.

Like the politicians, the military is finding it increasingly difficult to oppose this populism. The SCAF has already conceded to nearly every popular demand, such as putting Mubarak and his leading associates on trial, dismissing Ahmed Shafiq from the cabinet, and removing the Coptic governor of Qena.

Going forward, the combination of economic frustration and populist politics could be explosive. Although the United States wields little influence in Egypt at the moment, it should use the few tools at its disposal to keep Cairo committed to economic reform in the coming years. In this regard, pressing Egypt to accept conditional IMF programs and offering the incentive of a bilateral free trade agreement would be a good place to start.

This rapporteur's summary was prepared by Marielle Costanza. ❖

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