

Egypt

Introduction

Amid the current political turmoil, Egyptians continue to suffer from rising prices, growing poverty, mushrooming unemployment, malnutrition, food insecurity and power, fuel and water shortages.

Barely a year before Egypt's 2011 revolution exploded on to the streets the IMF were praising Hosni Mubarak's pro-market economic reforms as "*bold*" and "*impressive*". After all, he was cutting taxes for the rich, privatising industry, driving down wages, cutting health and education spending and attacking workers' rights.

The revolution's slogan of '*bread, freedom and social justice*' was a direct response to increasing **austerity, unemployment and privatisation**. And much of the anger was directed at the IMF and lending institutions who were complicit in keeping Egypt's poor facing the dire consequences of a spiral of debt and falling living standards.

Origin of debt crisis

Like many countries, Egypt was lent large amounts in the 1970s, including to fund the military,⁴³ due to Egypt's role as a frontline state against Israel. Much

of the lending was initially from Arab states with large amounts of dollars gained from high oil prices. Loans also came from the United States, which saw both Israel and Egypt as strategically vital. The US provided \$1.3 billion of loans and grants in 1977 alone.⁴⁴

In 1979, Egypt signed a peace agreement with Israel, for which it regained full control of Sinai. Arab states withdrew their extensive financial support in opposition to the treaty. To help keep the country's economy going, the western world disbursed more in loans, including UK loans for military equipment, even though they knew Mubarak's government would struggle to pay the debt.⁴⁵

By 1986, government foreign debt payments reached a gigantic 50% of export revenues,⁴⁶ and Egypt was given more time to make payments on some debt owed to Western governments. By now the economy had stagnated under the weight of the payments, and the debt spiralled to over 100% of national income in 1988.

In 1990 and 1991, the Mubarak regime supported the war on Iraq. In return, the US and allies announced they would cancel \$20 billion of the country's debt, showing that creditors can quickly decide to wipe out debts when they decide it is in their interests.⁴⁷ However, the total debt owed only fell by around \$10 billion,⁴⁸ probably due to the US counting cancelled interest payments as cancelled debt.

Since the early 1990s, the absolute size of the debt has stayed around \$30 billion. Inflation and economic growth gradually reduced the relative size of the external debt, from 65% of national income in 1992 to 15% by 2010. Between 1993 and 2010, the Egyptian government was lent \$23 billion and repaid \$38 billion, yet the total amount owed increased slightly from \$28 billion to \$32 billion in 2010.⁴⁹ The total external debt is now \$39 billion and growing rapidly. The Egyptian government also has a very large debt owed to domestic creditors, making total public debt 75 per cent of GDP.⁵⁰

"Egypt's debt is Mubarak's debt. It is not the Egyptian people's. Egyptians never had a say in the borrowing that was done in their name, let alone borrowing to buy arms."

DINA MAKRAM, POPULAR CAMPAIGN TO DROP EGYPT'S DEBT

Government external debt:

- \$39 billion
- 13% of GDP

Private external debt:

- Not available

Government external annual debt payments:

- \$3.3 billion
- 6.6% of revenue
- 6.2% of exports

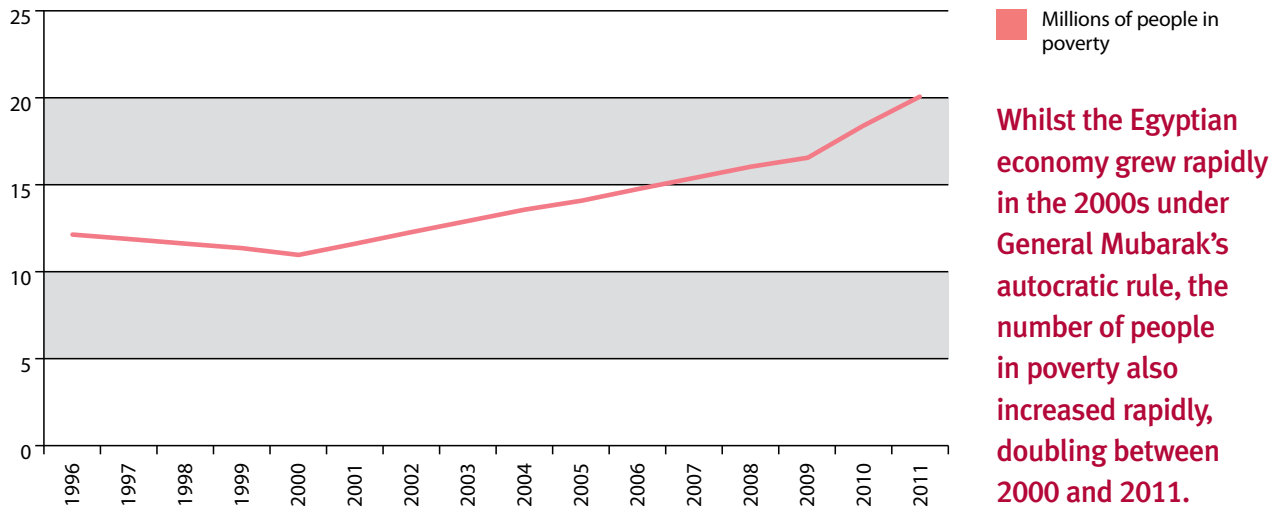


Figure C4: Egyptian population in poverty, national poverty line (millions of people)⁵¹

Since the revolution began, the Egyptian government's reserves of foreign currency have halved, as income from tourists and foreign investment declined. The debt further increased when \$12 billion in loans and grants was pledged by Middle Eastern states in July 2013, follow the deposing of Morsi from power.⁵² The fact that creditors insist debts continue to be paid during political crises, means new loans are taken out – without any transparency or accountability – to cover ongoing debt payments.

Since 2011, Egyptian governments have been discussing taking out new IMF loans worth between \$3 and \$5 billion – simply to meet payments on Mubarak's debt as it falls due. The closest the loans came to being signed was in November 2012, when IMF staff agreed a loan, but the deal collapsed before it was signed off by the IMF Board. Amr Adly, from the Egyptian Initiative for Personal Rights, said: "Many fear that a new era of dependency will start, even after the revolution. The IMF loan won't be approved without giving concessions that completely contradict the promises of a new development model, and thus undermine the potential for social justice measures after the revolution."

An IMF loan may open the door to further loans from institutions such as the World Bank and European Bank for Reconstruction and Development. Oxfam's Dr Mohga Kamal-Yanni says this means that "many Egyptians fear that the loan will just lead to deeper debts without generating the jobs and economic growth necessary to repay the debt and achieve societal goals".

Life and debt in Egypt

While the economy supposedly improved in the 2000s, this was not reflected in the lives of ordinary people. The number of people living in **poverty** increased, and the proportion of national income spent on public health and education fell – from 7.3% in 2003 to 5.8% by 2008. When the revolution began in 2011, a quarter of young people were unemployed.⁵³

In December 2012, the *Al Masa'a* newspaper reported that poverty had even driven an Egyptian woman to kill her eight-month-old daughter by putting rat poison in



Photo: Flickr/Gigi Ibrahim

Protest in Cairo against the proposed IMF loan to Egypt, August 2012.

her milk. Yet the IMF continues to insist on deep cuts to subsidies for fuel and bread – on which millions of ordinary people depend.⁵⁴ The IMF claim that this would be a progressive move, as subsidies also benefit the rich, and money saved could be spent elsewhere. But removing subsidies to enable debts to be paid would take food and fuel away from the poor, whilst leaving nothing behind to be redistributed.

The IMF also demanded the raising of regressive indirect **taxes** on a range of everyday goods and foodstuffs. The Egyptian Food Observatory found that in September 2012, 86% of households were already unable to meet their basic needs – a 12% increase in just three months.

Devaluation has also made it harder to import fuel, resulting in daily shortages and long queues. Many have had to turn to the black market where fuel prices are up to 80% higher and quality so poor engines and machines get wrecked. The result is that the price of many goods has doubled since autumn 2012.

“It’s not a matter of availability. It’s a question of access. Many families no longer have the economic means to put food on the table for their families,” admits Abeer Etefa, of the UN World Food Programme’s (WFP) Middle East and North Africa office.

The consequence is growing **food insecurity** and a child health crisis. According to the WFP an estimated 13.7m people (17% of the population) suffered from food insecurity in 2011, up from 14% in 2009. They blame people’s inability to afford adequate and nutritious food on rising poverty rates.

As a result, **malnutrition** is up, with 31% of children under the age of five suffering stunted growth – up from 23% in 2005. Just over half of children are also estimated by WHO to suffer from anaemia, a ‘severe public health problem’ made worse by cuts to the proportion of GDP spent on education and health. *“Stunting, reflecting chronic malnutrition, is irreversible and stops children reaching their full physical and mental potential,”* said the WFP.

Resistance and the demands of activists

It was the betrayal of the revolution’s demands – and a continuation of the failed programme of austerity and liberalisation – which provoked renewed demonstrations, ultimately leading to the fall of Mohammed Morsi’s government in July 2013. A huge wave of **strikes** and **protests** over rising prices, power and water cuts, job cuts and factory closures fed in to the Tamarod *‘Rebel’* campaign which collected over 20 million signatures calling for Morsi to resign. It was in

Campaigning to drop the debt

In the wake of the revolution, activists created the Popular Campaign to Drop Egypt’s Debt, leading calls for a debt audit and seeking to pressure lending countries and institutions, locally and internationally, to drop Egypt’s debt.

The Popular Campaign to Drop Egypt’s Debt argues:

“The economic policies applied by Mubarak’s regime have left us with enormous internal and external debts – leaving Egyptians captive to lending countries and institutions. The interest payments on these debts represents one of the biggest items of public expenditure in Egypt; this means that significant amounts of money are channelled towards already wealthy financial institutions rather than towards guaranteeing that every Egyptian can achieve a dignified standard of life”.

Among their demands are for a line-by-line audit *“of the loan terms and usage, to determine: whether the loan was made with the consent of the people, whether it serves the interests of the people and to what extent it was wasted through corruption. All debts that are determined to be illegitimate must then be dropped by the lending country/institution”.*

the face of growing street protests against austerity and poverty that the army then launched its coup.

The Tamarod uprising was captured by the military who returned to power. But less told is the story of economic resistance post-Mubarak. Strikes by workers against privatisation and for social justice spread like wildfire. Nearly 1,000 independent **trade unions** have been created since the 2011 revolution. According to the International Development Centre in Cairo, Egypt saw a record number of 9,427 protests during Morsi’s first year in office. On average there were more than 1,100 protests per month in 2013 – more than 1,000 strikes and 800 sit-ins backed up by non-payment campaigns (eg of electricity bills), and more than 500 marches and other protests such as road-blocks. Morsi’s response was to pass laws criminalising strikes and protests and a wave of repression against workers.

Alongside a growing number of protests for an increase in the minimum wage, doctors, pharmacists, dentists and physiotherapists staged a high profile strike calling for increased health spending, to 15% of GDP, and against low salaries and falling pensions. Instead of refusing treatment, medical staff refused to collect fees for the care they dispensed.

Protests and strikes – by water workers, teachers and textile mill workers at Mahalla al-Kubra, among others



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In the 1980s the UK government backed loans to General Mubarak to buy Rapier missiles, a more modern version of which are shown here. Loans for arms sales to General Mubarak make up one-quarter of Egypt's debt to the UK.

– have also broken out over plans to privatise public sector companies, a process which over decades has reallocated public resources for private gain to an already affluent domestic and international elite, at the expense of local jobs and wages.

Amid all the protests the country's debt, and the possibility of further IMF-imposed austerity measures,

have been at the forefront. In August 2012 there were mass protests against the IMF loan outside meetings between the government and Christine Lagarde, with placards declaring “no to international loans over the rights of the poor people”, “we'll never pay Mubarak's or Morsi's debts” and “your money impoverishes us”.

Street protests throughout November and December 2012 against a proposed new IMF deal forced the government to back down on additional planned austerity measures and tax rises, scuppering the talks.

Civil society organisations, including the Egyptian Centre for Economic and Social Justice (ECESR), Egyptians for a Debt Audit and the Popular Campaign to Drop Egypt's Debt have united around calls for a range of **social justice measures**. They include a fairer distribution of the costs of restructuring, higher taxes on the rich, good labour laws, stopping privatisation, taxing capital revenues, imposing a system of progressive taxation, raising the minimum wage and setting a limit on the maximum wage and increasing budget allocations for education, housing and health – measures that could lift Egypt out of its crisis – but would likely be rejected by the IMF.

They also want an investigation into the possibilities of **recovering assets** stolen by the Mubarak regime and full transparency in any negotiations for new loans. The ECESR filed a lawsuit over the secretive nature of recent IMF talks – calling on the government to publish the national economic plan it was submitting to the IMF, including loan conditions and austerity measures.

Activists believe the perspective of debt can help connect up workers' struggles and the campaigns for a freer society waged by many revolutionary activists, cutting through serious divisions to create a fairer society less attached to the economic orthodoxy which has damaged so many countries since the late 1970s, and less dependent on Western patronage.

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