

THE OFFICERS' REPUBLIC



The Egyptian Military and Abuse of Power

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TIMELINE

January - February 2011

18 days of anti-government protests lead to the ousting of Hosni Mubarak as President of Egypt.

February 2011

The Supreme Council of the Armed Forces (SCAF) assumes power. The SCAF remains in power until 2012.

November 2011 - January 2012

Parliamentary election to the People's Assembly of Egypt is held.

June 2012

Egypt's People's Assembly is dissolved, in an attempt to discredit the influence of Islamist groups. In the same month, the presidential election is held and Mohammed Morsi, becomes President.

July 2012

President Morsi reinstates the People's Assembly.

November 2012

President Morsi issues a decree awarding him wide ranging executive powers, sparking protests and clashes. The decree is revoked in December.

July 2013

A coup d'état, led by General Abdel Fattah el-Sisi, successfully removes President Morsi from power. Adly Mansour is named interim president and an interim government is established.

August 2013

Protesters gathered near the Rabaa al-Adawiya mosque in support of ousted president Morsi are violently dispersed by Egyptian security forces, leaving over 900 people dead.

May 2014

General el-Sisi wins the presidential election and is sworn into office in June.

October - December 2015

Parliamentary elections are held, the results of which demonstrate a low turnout at only 10 per cent.

March 2018

The next presidential election will take place. President el-Sisi has announced that he will run for a second term.

1. LIGHTING THE TORCH: CORRUPTION IN EGYPT, AND THE OUSTING OF HOSNI MUBARAK

“Egyptians are sick and tired of being corrupted and when you live on 300 [Egyptian] pounds a month you have one of two options: you either become a beggar or a thief. The people sent a message: ‘We are not beggars and we do not want to become thieves.’ ”

Ghada Shabandar, human rights activist, speaking in 2011¹

In the run up to the 2011 uprisings, Egypt was facing significant challenges caused by corruption. From the poverty-stricken villages of Upper Egypt to the streets of Cairo, people were deeply frustrated. Hosni Mubarak's government was widely perceived as kleptocratic, with state structures directed towards the enrichment of the few at the expense of the many. As public investment fell, urban wages stagnated and public infrastructure atrophied, the wealthy and powerful were making ever greater sums through the sale of undervalued public sector assets and public lands, and a set of economic policies benefitting a core pro-Mubarak faction of the Egyptian elite.² These loyal business figures acquired substantial wealth through privatisation policies and other reforms and were closely affiliated with Hosni Mubarak's son Gamal, Deputy Secretary General of the ruling party, who – it was rumoured at the time – was being groomed to inherit the presidency.³

Egypt was witnessing a dangerous and glaring disparity between the country's economic growth and a lack of opportunity for large swathes of the population. Between 1999 and 2010, GDP grew at an annual average rate of

five per cent, yet in the same period the number of people in Egypt living below the national poverty line rose from 11 million to more than 21 million, more than a quarter of the population.⁴ Youth unemployment averaged 28 per cent over this period.⁵

Meanwhile, billions of dollars were spirited out of the country by elites: one study estimates that in the ten years prior to the 25 January revolution, an average of US\$3 billion was acquired illicitly and transferred out of the country every year.⁶ The Mubarak family was heavily implicated.⁷ Due to the secretive techniques employed to spirit this money off shore, the exact totals are unknowable. The former head of a Ministry of Interior investigative unit told a London conference in 2005:

“The Mubarak era will be known as the era of thieves. . . his official business is the looting of public money. . . we find that the super-corrupt, ultra-delinquents have attained state posts.”

Mohammad Ghanam, former legal research chairman in the Egyptian Interior Ministry, speaking in 2005⁸

The impact on public perception was predictable. In a survey conducted by the Arab Barometer asking Egyptians to identify three principal reasons for the emergence of Arab Spring protests, the most commonly cited reasons were fighting corruption, betterment of the economic situation and increased social justice.⁹ The protests which ultimately toppled Hosni Mubarak were caused by the combustible interaction of both economic and political grievances, “economic stagnation mixed with the perceived rise in inequalities and lack of ‘social justice’, a perception that had been mounting as a result of the rollback of the state and economic liberalisation characterised by cronyism.”¹⁰

Within this context, the concept of *wasta*, a term which loosely translates into ‘nepotism’ or ‘who you know’ played a significant role. To this day, while Egyptian law stipulates equal and equitable access to

1 Michael Slackman, “Egyptian's fury has smoldered beneath the surface for decades”, *The New York Times* (web), 28 January 2011.

2 Ann M. Lesch, “Egypt's Spring. Causes of the Revolution”, *Middle East Policy Council* (web).

3 Samia Nakhoul, “Analysis: Egypt uprising hits Mubarak's business elite”, *Reuters* (web), 10 February 2011, and Stephen Roll, “Gamal Mubarak and the Discord in Egypt's Ruling Elite”, *Carnegie Endowment for International Peace* (web), 1 September 2010.

4 “Poverty & Equity Data Portal”, *The World Bank* (web), <http://povertydata.worldbank.org/poverty/country/EGY>. Also see “GDP growth (annual %)", *The World Bank* (web), <https://data.worldbank.org/indicator/NY.GDP.MKTP.KD.ZG?locations=EG>

5 “Unemployment, youth total (% of total labor force ages 15-24) (modelled ILO estimate)", *The World Bank* (web), <https://data.worldbank.org/indicator/SL.UEM.1524.ZS>

6 “Rankings – Illicit Financial Flows from Developing Countries: 2001-2010”, *Global Financial Integrity* (web), www.gfintegrity.org/storage/gfip/documents/reports/IFF2012/rankings-illicit_financial_flows_from_developing_countries_2001-2010-web.pdf

7 “Spring Cleaning: How Unexplained Wealth Orders could have helped address the UK's role in laundering corrupt wealth from Arab Spring states”, *Transparency International UK* (web), November 2016.

8 Marcus Baram, “How the Mubarak family made its billions”, *Huffington Post* (web), 11 February 2011.

9 “Arabbarometer Data Analysis: Country Selection”, *Arab Barometer* (web), www.arabbarometer.org/content/online-data-analysis

10 Cammett, Melani and Diwan, Ishac, *A Political Economy of the Middle East*, third edition (Westview Press, 2013), p. 413. Accessed at SSRN: <https://ssrn.com/abstract=2309690>

the job market, in reality wasta - the “use of personal connections to get things done” - prevails, and it is those with connections within the private sector companies, factories, and ministries who secure positions.¹¹ Egyptians’ dissatisfaction connected to the inability to succeed without wasta. Those who lacked wasta were disadvantaged and harboured significant grievances. And the state that was meant to provide jobs, subsidised goods, and free education and health, in exchange for the public tolerance of elite corruption, was not delivering.¹²

The military were a significant economic player throughout this period. All presidents post-monarchy had come from the military and Mubarak was no exception. As a result, the military enjoyed economic privileges and were able to operate with limited oversight from other arms of government. But the early 2011 protests were not targeted at the military. In fact, during the 18 days of anti-Mubarak protests, respect for the Egyptian military reached new heights when instead of siding with the embattled President, the army “pulled the rug from under Mubarak’s feet” and chose not to protect him and the cronyistic business elites he had been seen to favour.¹³ The chant of “the people and the army are one hand” was beamed out across the world.

11 The World Bank, *Jobs for Shared Prosperity: Time for Action in the Middle East and North Africa* (Washington DC: World Bank, 2013), p. 190

12 Elena Ianchovichina, *Eruptions of Popular Anger: The Economics of the Arab Spring and Its Aftermath* (Washington DC: World Bank, 2018)

13 Soumaya Ghannoushi, “The role of the army in Egypt’s new politics”, *Al Jazeera* (web), 30 September 2011

2. DOING BUSINESS OR PROVIDING SECURITY?

In February 2011, expectations of the military reached a high point. The armed forces had played what many perceived as a neutral or even positive role during anti-Mubarak protests, and hopes were raised that having promised “a peaceful transition of power [to allow] an elected civilian government to rule and build a free democratic state”, they would act as guarantors of the revolution and usher in new reforms to address the grievances of those who had taken to the streets.¹⁴ The Supreme Council of the Armed Forces (SCAF) quickly disappointed those that hoped for genuine change. The revolutionaries' demands for social justice, equality and an end to nepotism remained aspirations, and instead, in the face of challenges by strikers and protesters, the SCAF protected and expanded the military's influence in the state during the process of managing the political transition.¹⁵

Arguably, those who had hoped the armed forces would be the champion of a more just society failed to take into account the uniquely powerful position and vested interests the Egyptian military held. The military had been closely intertwined with the state since 1952, with successive Egyptian leaders - all former military officers - seeking to ensure loyalty and neutralise its potential threat to their rule by offering the armed forces a privileged economic position and other rights. 1952 has sometimes been dubbed the start of the “officers' republic”.¹⁶

The officers' republic has for decades played a powerful role, and enjoyed unique privileges, in Egypt's economy, security and politics. But this role has come into an even sharper focus since the 2013 ouster of Mohamed Morsi. Now that it holds such political and economic sway, analysts and civil society actors suggest that the military is inevitably subjected to increased scrutiny by the public. As one Egyptian human rights defender put it:

“Since the army is carrying out an economic activity that relates to the community and not to military soldiers, it shall be criticized like any economic player, and when an army rules at the political level, it shall be criticized as a ruler.”¹⁷

a. An unchallenged business empire

“We will fight for our projects, and this is a battle that we won't withdraw from. We will not give up on our 30-year long efforts for someone else to destroy. We won't allow anyone--no matter who-- to come anywhere near the armed forces projects.”

Major General Mahmoud Nasr, speaking in 2012¹⁸

The armed forces became a significant economic force following the 1978 Camp David accords with Israel and the establishment of generous annual US military aid disbursements. As the Mubarak government reduced its spending on defence throughout the 1990s, amidst economic liberalisation programmes, the military's economic activities increased in parallel. Its wide range of businesses - from infrastructure and agriculture to mining - were supported by tax breaks, preferential access to major government contracts, conscript labour, secretive bank accounts, and lack of effective oversight.

Despite its significance, there is very little concrete information available on the Egyptian military's business empire. The breakdown of Egypt's defence budget (estimated to be around US\$4.5 billion in 2016) is treated as a state secret and no details on defence spending are available.¹⁹ Even basic information unrelated to defence is classified on the grounds of national security. The revenues of military businesses are similarly opaque. For this reason, estimates of the size of the military's holdings vary wildly. Some experts put the military's share of the economy as high as 40 per cent.²⁰ Others dispute this; the armed forces and President Abdel Fattah el-Sisi claim that military commercial activities account for just a small proportion of GDP, as low as one to 1.5 per cent “not 20-25 as some people claim”.²¹

The military runs its businesses through agencies such as the National Service Products Organization (NSPO), established in 1979 under a Presidential decree in order to achieve “the relative self-sufficiency of the Armed Forces requirements as well as locally and internationally marketing the surplus”.²² With a budget that is independent from the Ministry of Defence, the NSPO

14 Chris McGreal, “Army and protesters disagree over Egypt's path to democracy”, *The Guardian* (web), 12 February 2011

15 Zeinab Abul-Magd, “Egypt's Military Business: The Need for Change”, *Middle East Institute* (web), 19 November 2015

16 Yezid Sayigh, “Above the State: The Officers' Republic in Egypt”, *Carnegie Endowment for International Peace* (web), 1 August 2012

17 Albaraa Abdullah, “Why is Egypt's army now in the baby formula business?”, *Al-Monitor* (web), 21 September 2016

18 <http://www.shorouknews.com/news/view.aspx?cdate=27032012&id=0de8ea0c-136a-4270-9a7c-79b576b91b51>

19 “SIPRI Military Expenditure Database”, *SIPRI* (web), www.sipri.org/databases/milex

20 Eric Knecht and Asma Alsharif, “Sisi walks fine line between Egypt's tycoons and generals”, *Reuters* (web), 16 October 2015

21 Heba Saleh, “When the Egyptian army means business”, *Financial Times* (web), 15 December 2016

22 “National Service Projects Organization: since 1979 serving Egypt”, *NSPO* (web), www.nspo.com.eg/nspo/index.html

has established a wide range of companies in sectors as diverse as mining, food production, chemicals, farming, plastic, household appliances and hospitality. The NSPO is opaque, with no information available on its website about its revenue, profit or tax arrangements.

The NSPO website lists 21 companies owned by the organisation, stating that these “are some of the major companies we cooperate with at the current time”.

Agriculture and Food Industry Field

- Food Security Sector (established 1982)
- Egg Production Complex
- National Co. for Natural Water in Siwa (SAFI) (established 1996)
- National Co. for Food Industry (established 1996)
- Upper Egypt Company for Agricultural Industry & Land Reclamation (established 1998)
- National Company for Land Reclamation & Agriculture (established 1998)
- Queen Company for Macaroni (established 2013)
- Wadi El-Sheih Farm
- National Company for Fishery & Aquaculture (established 2014)
- National Company for Refrigerating & Transportation

Industrial Field

- El-Nasr Company for Intermediate Chemicals (established 1976)
- Arab International Optronics (AIO) (established 1982)
- Plastic Rolls Factory
- El-Areesh Company for Cement (established 2012)
- National Company for Batteries

Engineering Field

- National Co. for General Construction & Supplies (established 1994)
- The National Company for Roads Building & Development (established 2002)

Services Field

- El-Nasr Company for Services & Maintenance (Queen service) (established 1988)
- The National Company for Petroleum

Mining Field

- Mining Sector (established 1979)
- Egyptian Black Sand Company²³

In addition to the NSPO, there are multiple other vehicles for the commercial activities of the armed forces, including the National Authority for Military Production, the Arab Organization for Industrialization, as well as the Armed Forces Engineering Authority, which carries out civilian and military infrastructural projects²⁴, including through partnerships with transnational corporations like General Electric, Lockheed Martin, Mitsubishi, and others.²⁵

While accurate data about the scale of the military’s commercial activities is hard to obtain – and there are some who argue it is not such a dominant player – it is abundantly clear that the military’s economic portfolio has been expanded and diversified since 2014.²⁶ This has been part of a deliberate strategy led by President el-Sisi, who has argued that awarding the army major contracts would help revive Egypt’s economy.²⁷ More broadly, he has portrayed the increased economic role of the armed forces as a way of supporting the economy in challenging times; indeed, the military was an early and public investor in the Tahya Masr (Long Live Egypt) fund, which el-Sisi established shortly after his election victory. Alongside the US\$266 million that the military contributed to the fund, the public was also called upon to contribute to alleviate national hardship. The management of the fund is however extremely opaque, with little information available about its sources of funding or how it is being spent, and who is benefiting from public funds, with sources close to it telling an Egyptian media outlet that its activities included investment and development.²⁸

Since 2013, the armed forces and President el-Sisi have particularly prioritised megaprojects. With more than US\$20 billion in Gulf aid flowing into Egypt in the months after his election,²⁹ el-Sisi pushed forward the expanded development of the crucial Suez Canal Corridor Development Project – involving the expansion of six Egyptian ports, the construction of a number of tunnels and industrial zones and the dredging of a parallel canal to allow for two-way traffic.³⁰ The Armed Forces Engineering

²³ “National Service Projects Organization”, *NSPO*

²⁴ Lina Attalah and Mohamed Hamama, “The Armed Forces and business: Economic expansion in the last 12 months”, *Mada Masr* (web), 9 September 2016

²⁵ Ahmed Morsy, “The Military Crowds Out Civilian Business in Egypt”, *Carnegie Endowment for International Peace* (web), 24 June 2014

²⁶ Abdel-Fattah Barayez, ““This Land is their Land”: Egypt’s Military and the Economy”, *Jadaliyya* (web), 25 January 2016

²⁷ “Egypt awards ambitious Suez project to army-linked Gulf firm”, *Reuters* (web), 19 August 2014

²⁸ Beesan Kassab, “Tahya Masr: How Sisi bypassed auditing a multi-billion pound fund”, *Mada Masr* (web), 6 April 2016

²⁹ “Egypt got \$23 billion in aid from Gulf in 18 months – minister”, *Reuters* (web), 2 March 2015

³⁰ Ahmed Farouk Ghoneim, “Egypt’s Suez Canal Corridor Project”, *Middle East Institute* (web), 19 August 2014

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Authority has a central role in this gigantic project.³¹ A Carnegie Endowment study notes the intertwining of commercial and political factors that make the Suez Canal so strategically important for the military's interests:

“It is difficult to overstate the canal's importance to the military—not only in terms of generating revenues but also in terms of providing the [armed forces] with a justification for inserting itself into discussions of long-term economic planning.”³²

The Suez Canal illustrates powerfully the interdependence of the Egyptian military's political and economic power. In 2013, under President Morsi, the Suez development project became a flashpoint for tension between the ruling Muslim Brotherhood and the military, with some analysts arguing that it acted as one of the triggers for the eventual toppling of Morsi by the armed forces. A prominent Egypt analyst summarised the potential threat to the military:

“The Brotherhood was going to consolidate its economic position through the canal area ... This would have stripped the military of its control of the biggest development project Egypt will have over the coming two decades.”³³

Multiple other megaprojects have been announced since 2013. Egypt's new “administrative capital” is the most contentious of them. The government, parliament, presidential palace, Supreme Court, central bank and 6.5 million people are supposed to move to the new city. As of December 2017, about 30,000 apartments had been completed.³⁴ The New Administrative Capital for Urban Development, a joint venture between the Egyptian army and a government land development agency, is developing the new capital that is due to be opened in mid-2019. This and other grand projects, like a US\$40 billion housing project awarded to the UAE firm Arabtec in 2014 to construct one million homes on army

land but mired in delays,³⁵ may prove harder to deliver than the government's confident statements would suggest and have attracted considerable criticism over whether they are sensible investments for the country. And without basic transparency and oversight over decision-making, it's unclear to the public whose interests big projects like these may be serving. The legacy of corruption and the catastrophic mismanagement of projects such as the Toshka lakes megaproject have bred cynicism.³⁶

Megaprojects are particularly susceptible to corruption. Due to their significant size, it's all the more important to exercise effective oversight. Even in countries with comparatively strong corruption controls face huge risks around infrastructure projects. In Germany, for example, the Berlin-Brandenburg airport debacle resulted in rocketing construction costs from an original projected cost of two billion to a final bill of six billion euros with three senior public officials convicted of corruption, and investigations into the alleged poisoning of a whistleblower.³⁷ Within the Egyptian context, megaprojects raise major concerns, particularly when there is little to no information on the contracts the army and other entities are involved in, or their true cost.

Control of Land

Alongside megaprojects, the armed forces have unrivalled powers over public land, enjoying “uncontested and broad regulatory control over planning, allocation, and management.”³⁸ Under a 1981 law, the Minister of Defence has wide-ranging powers over desert land, which constitutes about 94 per cent of Egypt: including to determine whether plots can be allocated to the private sector, and to allocate land specifically for military or strategic use.³⁹ It is unclear how the military determines whether land is allocated to the private sector, or private individuals, and how it chooses those who are allocated land.

Under a 1982 presidential decree, the Armed Forces Land Projects Organization (AFLPO) manages the sale of military-owned lands. A December 2015 presidential decree allocated the revenue from any land vacated by the military directly towards the construction of “new military zones”, establishing a legal framework to allow the Armed Forces to use desert land as an investment.⁴⁰

31 “Egypt awards ambitious Suez project to army-linked Gulf firm”, *Reuters* (web), 19 August 2014

32 Shana Marshall, *The Egyptian Armed Forces and the Remaking of an Economic Empire* (Washington DC: Carnegie Endowment for International Peace, 2015)

33 Daria Solovieva, “Suez Canal: Egyptian Military Takes Charge Of Economic Development”, *International Business Times* (web), 4 March 2014

34 Heba Saleh, “Egypt's president sets sights on megacity to rival Cairo”, *Financial Times* (web), 17 December 2017

35 “UAE's Arabtec agrees \$40 billion housing project with Egypt army”, *Reuters* (web), 9 March 2014. Also see Neil Halligan, “Arabtec still unclear over Egyptian housing project”, *Arabian Business* (web), 23 June 2016

36 Andre Fecteau, “On Toshka New Valley's mega-failure”, *Egypt Independent* (web), 26 April 2012

37 “Berlin Brandenburg airport corruption ‘whistleblower poisoned’”, *BBC News* (web), 2 May 2016

38 Abdel-Fattah Barayez, “‘This Land is their Land’: Egypt's Military and the Economy”, *Jadaliyya* (web), 25 January 2016

39 <http://egyptlayer.over-blog.com/2013/09/143-1981.html>

40 Laila Sawaf, “The Armed Forces and Egypt's land”, *Mada Masr* (web), 26 April 2016

Again the risks of both corruption and of stoking public resentment are extremely high. The ownership of land in Egypt became highly sensitive during the 1990s and 2000s, as Mubarak's government embarked on land reform that left hundreds of thousands of tenant farmers insecure. At the same time, the conversion of state-controlled desert land into real estate development opportunities was a focus of extraordinary corruption during the same period and was often a focus, and arguably a trigger, of anti-Mubarak public protests that culminated with the revolution.⁴¹

Granting the military absolute and unchecked discretion over the use of public land increases corruption risks and allows the armed forces to strengthen its vast patronage network. There is no mechanism to reduce the risk of rewarding loyalty or building new alliances by allocating public land to individuals or companies.

Effective State Subsidies

As Egypt has faced economic difficulties following years of political instability and security threats, with rising inflation and an acute shortage of hard currency, the army's farms and factories, originally set up to provide for service personnel, have provided cheap food and other necessities for the Egyptian public.⁴² The benefits of this to the population are clear. But there are costs too of the army effectively enjoying significant state subsidies over the private sector. Effectively the private sector is often squeezed out of competition. Military businesses are exempt from taxes on profit as well as business licensing requirements, and imports of the Ministry of Defence and Ministry of State for Military Production are exempt from any taxation.⁴³ A June 2015 decree also exempted 574 military facilities from real estate tax, including 52 clubs, 29 hotels, 18 summer resorts and eight cinemas and theatres in addition to a number of buildings, spaces, supermarket branches, mechanised slaughterhouses, residential buildings and villas.⁴⁴

An exemption from the ban of forced labour has enabled the military to continue to use conscript labour in the service of military-owned business - again giving it an obvious competitive edge over the private sector. The practice started in the 1980s and largely involved unskilled conscripts working in agriculture and food production. It has however expanded and become more sophisticated:

“Since the expansion of military business into large industries, draftees who hold higher technical degrees have been similarly used in factories, hotels, gas stations, hospitals, trading companies and more . . . Their remarkably low monthly salaries were raised to between \$34 and \$35 in 2013.”⁴⁵

The practice of using conscript labour to pursue military economic projects has been criticised by businesses who cannot compete with the low costs of the military. Media investigations have also alleged that recruits are being exploited for their labour without even being given proper military training.⁴⁶ Those close to the military have defended this practice by pointing to the patriotic service its projects provide, in contrast to the “greedy” private sector, without acknowledging that the practice effectively constitutes forced labour which would be illegal outside the armed forces:

“Army involvement in projects such as providing citizens with food at low prices to fight greedy merchants is considered a necessity.”⁴⁷

Enjoying these multiple competitive advantages over business rivals, the military has increasingly intervened in the economy to address shortages or price rises, cementing its political position and reputation in the process. The most striking example of this occurred in September 2016, when after a few weeks of baby milk shortage, the military stepped in to import baby formula and sell it at half the normal price to fill the gap in supply.⁴⁸ An armed forces spokesperson celebrated the role the military was playing in supporting Egyptian citizens against the private sector.

“The Armed Forces has landed a blow against the greedy monopoly of traders and companies working in the milk industry. The military is driven by

41 “Egypt: Mubarak and sons detained amid corruption probe”, *BBC News* (web), 13 April 2011. Also see Frederick Deknatel, “The Revolution Added Two Years: On Cairo”, *The Nation* (web), 31 December 2012

42 Saleh, 2016

43 Morsy, 2014

44 <http://www.almasryalyoum.com/news/details/747356>

45 Zeinab Abul-Magd, *Militarizing the Nation: The Army, Business, and Revolution in Egypt* (New York: Colombia University Press, 2017)

46 Taha Sakr, “Conscript Labour in Civil Projects a Necessity to Deal With Economic Difficulties: Military Expert”, *Marsad* (web), 29 November 2011

47 Sakr, 2011

48 Tarek El-Tablawy, “When the Baby Milk Disappeared, Egypt Turned to the Military”, *Bloomberg* (web), 9 September 2016

its sensitivity to the needs of citizens, just as with the provision of all basic goods at low prices, including meat and chicken, through its sales outlets in all governorates.”⁴⁹

This took place at a point when Egyptians were facing high prices as subsidies were cut across a number of areas, as well as continued security threats. Images on state-owned TV and private TV stations of desperate mothers and the armed forces “saving the day” were invaluable positive public relations in this context.

The military’s actions on baby formula did at least re-energise long-standing criticisms regarding the extensive military involvement in the Egyptian economy and the restrictive impact this has on the struggling private sector.⁵⁰ Nevertheless the trend has continued. In January 2017, following a drug shortage, the government announced it was giving the National Agency for Military Production permission to take part in founding the Egyptian National Company for Pharmaceuticals.⁵¹ This decision comes despite the highly-publicised 2014 episode when the Egyptian Military Engineering Authority announced it would be releasing a medical device with the ability to cure all those living with Hepatitis C and HIV/AIDS.⁵² It is estimated that 40,000 people suffering from these diseases signed up for the miracle cure. The Ministry of Defence’s promise to cure millions of patients was not kept.⁵³

THE EXPANDING MILITARY ECONOMY

Education

The military has invested in private international schools offering American and British curricula.⁵⁴ The decision to build the Badr International School (BIS), inaugurated in March 2015, dates back to 2013 and was given the go-ahead by President el-Sisi himself.⁵⁵

Roads

The military also has increasing involvement in constructing Egypt’s roads and highways, as instigated by the establishment of The National Roads Projects in 2014. Under the project, the Armed Forces Engineering Authority is due to build 22 roads including 30 bridges, and 11 tunnels.⁵⁶ These contracts are worth EGP 4.7 billion (US\$266 million).⁵⁷

Energy

Solar energy is becoming a growing interest to the military. In June 2017 a solar power station was inaugurated in Cairo by the Minister for Military Production Mohamed Saeed el-Assar; the station was set up by a subsidiary of the National Organisation for Military Production, which has a subsequent contract to install another station at a cost of EGP 4.37 million (approximately US\$248,000). Assar’s ministry has completed 44 projects installing solar panels in various educational establishments and ministry buildings.⁵⁸

Fish

The military has also expanded its role in fish farming projects, with thousands of feddans of state-owned land being allocated to the National Service Projects Authority in 2016 to be used for fish farming.⁵⁹

49 <https://www.facebook.com/Egy.Army.Spox/posts/889559114508405>

50 “Sisi defends Egyptian army’s economic intrusion”, *Al Jazeera* (web), 26 September 2016. Also see Saleh 2016

51 “Egypt’s military to enter pharmaceutical industry”, *Reuters* (web), 22 January 2017

52 “Four Doctors Referred to Investigation for Promoting Egyptian Military’s ‘Hepatitis Cure Device’”, *Egyptian Streets* (web), 19 July 2016. Also see Mostafa Hussein, “Koftagate: Dashed Hopes and Wasted Resources”, *The Tahrir Institute for Middle East Policy* (web), 8 April 2014

53 Hussein, 2014

54 Heba Afify, “The international school of Egypt’s military”, *Mada Masr* (web), 15 September 2016

55 <http://www.elbalad.news/680128>

56 Ahmad Abu El Hassan Zarad, “The Mega National Projects... A Locomotive of Development”, *State Information Service* (web), 12 March 2018

57 Ahmed Aboulenein, “Egypt’s deep state gets back to business”, *PRI* (web), 14 January 2015

58 Al-Masry Al-Youm, “First solar power station inaugurated at Cairo University”, *Egypt Independent* (web), 12 June 2017

59 Lina Attalah and Mohamad Hamama, “The Armed Forces and business: Economic expansion in the last 12 months”, *Mada Masr* (web), 9 September 2016

Legislation to Support Military Business Expansion

The expansion of military activities in the economy has been achieved with the help of new legislation, which has further ensured that economic policy supports the armed forces, distorts the market and channels public contracts straight to the military.

Most notoriously, law number 32 for 2014 – passed by the interim post-30 June government and reaffirmed by parliament in 2016 – bans third parties, including even Egypt’s Public Prosecutor, from challenging the conditions of public contracts. The government justified this law by pointing to the necessity to regain foreign and local investors’ trust, which had been affected, it claimed, by disruptive litigation brought against public contracts.⁶⁰ Critics and opposition figures, however, saw the measure as a way to reproduce cronyistic practices. The new law both neutralises the administrative court – which had been active in highlighting violations in public contracts and concessions signed during the Mubarak years – and ensures the bypassing of the private sector and civil society who might otherwise challenge questionable contracts between government and external investors. Medhat El-Sherif, Member of Parliament, said:

“It legalises corruption.”⁶¹

Parliamentarians voted down the law in 2016 but in a seemingly unusual instance of parliamentary procedure, it was brought back for another vote in the same week – with MPs apparently facing significant pressure from the government. According to one MP who opposed the law, the minister of parliamentary affairs clarified the “importance of the law” to legislators. It was subsequently passed.⁶²

In 2013 the interim military-backed government also amended the 1998 Tenders Law. The change has expanded the legal ability of ministers to sign contracts without competitive tendering, raising significantly the price ceiling requiring tender processes and completely excluding public bodies that are “subject to special laws or regulations” – that would include the armed forces – from its scope.⁶³ One former minister, justifying the measure, explained:

“In many cases, it is more efficient to spend money by direct order rather than through tenders.”

Maged Osman, former minister of communications and information technology, speaking in 2013⁶⁴

This presents a severe corruption risk. If ministers can sign contracts without a competitive process, and the content of contracts is confidential or classified, effective oversight becomes impossible. Not only is it hard to ask questions, it becomes impossible to even know which questions to ask. The measure has channelled public investment to military-backed firms and given the military a free rein over sub-contracting, consolidating a kleptocratic set-up characterised by secrecy and patronage. One Egyptian economist and journalist calculated that in the two months following the decree’s passing, firms linked to the army were awarded seven billion EGP (US\$1 billion) worth of government contracts in infrastructure. One prominent analyst of the Egyptian military told Transparency International:

“The military has been given the right to subcontract everything it does and sub-contracting does not occur without bribes, point blank. This is the new game in town.”⁶⁵

Robert Spingborg, speaking in January 2017

60 Amr Adly, “The Future of Big Business in the New Egypt”, *Carnegie Middle East Center* (web), 19 November 2014

61 “Egypt’s parliament votes down law barring 3rd party challenges to state deals”, *ahram online* (web), 18 January 2016

62 “Egypt MPs pass controversial law shielding state deals after earlier rejection”, *ahram online* (web), 20 January 2016

63 Decree 82 of 2013. - text at <http://kenanaonline.com/users/lawing/posts/572597>

64 Ahmed Feteha, “CORRECTED: Egypt expands officials’ authority in bypassing public tender process”, *ahram online* (web), 13 September 2013

65 Interview of Robert Spingborg, London, January 2017

b. Egypt's security under threat

The security situation in Egypt has deteriorated significantly in recent years. The armed forces have struggled to respond to an insurgency, amidst a media blackout which means that limited reliable information gets out of Sinai. Terrorist and sectarian attacks, not only in Sinai but also in the mainland, including in Cairo, have killed hundreds of civilians. The Muslim Brotherhood has been named a terrorist organisation and forced into the underground, while public dissent against the authorities - whether in media or civil society - has been suppressed.

The Egyptian military's focus on economic objectives, combined with its insulation from accountability and scrutiny, risks undermining its own capacity to provide security. At the same time, military forces left to their own devices, and not operating under a robust and comprehensive strategy, have the potential to foment the drivers of insecurity.⁶⁶ In 2009, following decades of the officers' republic, the US Ambassador to Egypt cabled Washington to tell them that "the tactical and operational readiness of the Egyptian Armed Forces (EAF) has degraded".⁶⁷ Such concerns have been given weight by incidents of military incompetence that have had fatal consequences. In 2015, Egyptian security forces mistakenly killed twelve people, including eight Mexican tourists, mistaking them for militants.⁶⁸

The Sinai region is Egypt's most profound security challenge. The 'Sinai Province', an ISIS-affiliated group active since 2011 has been responsible for multiple high-profile and deadly terror attacks.⁶⁹ Sinai is home to 400,000 Bedouin, who represent 70 per cent of the population and have been systematically marginalised and repressed by successive Egyptian governments, both economically and politically, resulting in the growth of illicit business such as narcotics and weapons smuggling.⁷⁰ The recent dramatic decline in tourism, a crucial industry for Sinai, has been a major blow to the province's security. Added into this explosive mix was influx of foreign Islamist fighters who settled in the region and co-opted Bedouin grievances to gain a foothold among the population.⁷¹ Meanwhile hundreds of civilians have been killed in a

series of terrorist attacks, with the worst a November 2017 attack on a Sufi mosque in Sinai that killed 305 people including 27 children.⁷² Nearly a thousand security personnel have also been killed in 1,700 attacks.⁷³ Journalists are not allowed into affected areas, and given the overall secrecy that surrounds the Egyptian security sector it is difficult to get an accurate picture of the interaction between the population and security forces. But the available evidence at least raises serious questions about the effectiveness of the armed forces' approach.⁷⁴

The issue, however, is certainly not a lack of resource or investment in hardware. Egypt is one of the top defence importers in the world. After the fall of Mubarak, while GDP growth faltered amid instability, Egypt became one of the world's top arms importers, increasing its purchases between 2012 and 2016 by two thirds on the previous five year period.⁷⁵ In the last 18 months alone, Egypt has signed deals to buy four German military submarines (U-209 submarines), two of which have been estimated to have cost Egypt 920 million euros (US\$1.13 billion); 46 Russian combat helicopters (Ka-52 Aligator attack helicopters); two French Mistral aircraft carriers, worth 950 million euros (US\$1.17 billion); and a military satellite from France worth 600 million euros (US\$739 million).⁷⁶ In the same period, the country has received its third batch of Rafale warplanes from France as part of a US\$5.5 billion contract signed in 2015, and its first of four Gowind 2500 corvette ships as part of a one billion euro (US\$1.23 billion) contract with French shipbuilder, Naval Group.⁷⁷

More likely the problem is one of strategy. It's doubtful whether these enormous volumes of imported arms are effectively assisting the Egyptian military in confronting its most serious security threat. The types of equipment purchased are largely unsuited to the very specific task of confronting an insurgency. The military's approach against the insurgents, using fighter jets, artillery and tanks to prevent the groups affiliated with the so-called Islamic State from controlling territory, has been marked by what has been described as "slash and burn" or "scorched earth" tactics, which have had devastating effects for the civilian population of affected areas in Sinai.⁷⁸ Meanwhile, reports of extra-judicial executions and torture by the Egyptian armed forces have emerged, further eroding

66 See Transparency International – Defence and Security, *The Fifth Column* (Transparency International UK, 2017)

67 "Public Library of US Diplomacy: Scen setter for General Schwartz", *WikiLeaks* (web), 31 March 2009, https://wikileaks.org/plusd/cables/09CAIRO549_a.html

68 "Mexican tourists killed by Egyptian security forces", *BBC News* (web), 14 September 2015

69 "Sinai Province: Egypt's most dangerous group", *BBC News* (web), 12 May 2016

70 Abigail Hauslohner, "Insurgency takes root in Egypt's Sinai", *The Washington Post* (web), 28 July 2013. Also see "The Radicalization of the Sinai Insurgency", *CDA Institute* (web), 27 August 2015

71 "The Radicalization of the Sinai Insurgency", 2015

72 Hamdi Alkhalili, Laura Smith-Spark and Susannah Cullinane, "Egypt mosque attack death toll climbs above 300", *CNN* (web), 26 November 2017

73 "Special Briefing: Attacks Against Security Forces Continue in Egypt's North Sinai", *The Tahrir Institute for Middle East Policy* (web), 9 November 2011

74 "Egypt is failing to stop the insurgency in Sinai", *The Economist* (web), 6 April 2017

75 Aude Fleurant, Pieter D. Wezeman, Siemon T. Wezeman and Nan Tian, *Trends in International Arms Transfers, 2016*, SIPRI Fact Sheet (SIPRI, 2017). It is currently number 11.

76 "Egypt receives 2nd German military submarine", *Mada Masr* (web), 20 April 2017. Also see "Russia delivering Ka-52 attack helicopters to Egypt", *defenceweb* (web), 20 July 2017. "Egypt receives aircraft carrier from France", *Middle East Monitor* (web), 3 June 2016. Oscar Nkala, "Egypt, France to Sign Arms Deal Mid-April", *DefenseNews* (web), 6 April 2016

77 "Egypt receives third batch of Rafale warplanes", *Reuters* (web), 5 April 2017. Also see Arun Mathew, "Egypt receives its first Gowind 2500 Corvette, El Fateh from France", *DefPost* (web), 22 September 2017

78 Mourad Higazy, "Rafah: The city of blood and desertion", *Mada Masr* (web), 7 September 2017

support among the Sinai population for their counter-insurgency.⁷⁹

The New York Times reports that the US government has expressed its concerns about the way the conflict is being conducted:

“American military officials have tried quietly to persuade [el-Sisi] to allocate his resources, including \$1.3 billion in annual American aid, to tools and techniques better suited to fighting the insurgency in Sinai, like equipment and training for intelligence gathering. But Mr. Sisi [sic], they say, is not listening, and his generals prefer to buy tanks, jets and other heavy weapons for their bases around the Nile.”⁸⁰

This failure of strategy may prove difficult to address if the military continues to be run for purposes which are at least divided - between the maintenance of security and the pursuit of profit. The opacity of the defence budget, the fact that there is no meaningful public debate about defence policy or acquisition needs, and the lack of legislative scrutiny of the armed forces means that highly inefficient and wasteful spending on military equipment is allowed to continue, investing resources in highly inappropriate technology that may ultimately undermine the government's security goals in Sinai and increase disenfranchisement among an historically marginalised group. As one commentator put it, “the pursuit of money has caused the military to not perform its national security tasks – from border controls to search and rescue operations to counter-terrorism exercises.”⁸¹

79 Declan Walsh and David D. Kirkpatrick, “In Egypt, Furious Retaliation but Failing Strategy in Sinai”, *The New York Times* (web), 25 November 2017

80 Walsh and Kirkpatrick, 2017

81 Interview of Spingborg, 2017

3. CEMENTING POLITICAL POWER AND AUTHORITY

“I told them the challenges in Egypt are very, very, very tough . . . you have no choice but to put your hands in mine in rebuilding the Egyptian state”

President Abdel Fattah el-Sisi, speaking about a 2014 meeting with senior military leaders⁸²

Under President Abdel Fattah el-Sisi, Egypt's armed forces have worked hard to cement their powerful position, which grants them unique economic privileges and removes them from independent, civilian scrutiny. The military pursues four main strategies to achieve this goal: it ensures a high number of military officers in senior government positions; it has passed legislation to continue to grant itself ever-expanding rights; it has brutally suppressed opposition; and it has carried out a public relations campaign aimed at increasing public trust in the institution.

The el-Sisi government has maintained and expanded the longstanding policy, which had peaked previously under Mubarak, of appointing former military officers into key positions across government. In September 2016 the President appointed former Transport Minister Atef Abdel Hamid, an ex-army officer, as governor of Cairo, alongside five other new governors with military and security backgrounds – a move that meant only eight of 27 governors across the country had civilian backgrounds.⁸³

Virtually Egypt's entire local government structures, including cities, boroughs and villages, is appointed from above. A 2012 Carnegie Endowment study found that since the 1990s, 50 to 80 per cent of the governors at any given moment have been drawn from the military, with another 20 per cent coming from the police or internal security agencies. Retired officers, meanwhile, hold an even-larger proportion of the subordinate posts of deputy governor, director of the governor's office, and secretary-general and assistant secretary-general of the governorate local council.

“One example suffices to encapsulate the wider picture. On February 22, 2012, the minister of military production, Major General Ali Ibrahim Sabri, signed an agreement to develop the Giza governorate's wholesale market. Signing for the other side was the wholesale market's executive head, Major General Mohammed Sami Abdul-Rahim. In attendance were the deputy governor of Giza, Major General Usama Shama'ah; the secretary general of the local council, Major General Mohammad al-Sheikh; and his assistant secretary-general, Major General Ahmad Hani.”⁸⁴

Former officers hold senior civil service roles, positions on the boards of public utility institutions or directorships in regulatory authorities. The purpose of such appointments is generally two-fold: to penetrate the key oversight agencies that may hold other parts of the state, including the military, to account; and to provide comfortable financial security for former senior members of the military, further strengthening a system of patronage. Wages in Egypt's military are not generous, and such privileges ensure the loyalty of the senior officer corps, while risking creating resentment among the more junior ranks of the armed forces. As one former Egyptian general told Reuters in 2012:

“[The wealth is] concentrated in about 15 per cent of the army's officer corps, upper ranks, who remain loyal through a system of patronage.”⁸⁵

Legislation

The armed forces' cementing of its powerful position was also facilitated by the passing of broad legislation, granting the military sweeping rights. The military's freedom of movement and insulation from civilian oversight was initially entrenched in the new constitution that was ushered through by the interim government shortly after the ousting of Mohammed Morsi, and subsequently passed by referendum in early 2014. In particular, the Supreme Council of the Armed Forces was given the exclusive right

⁸² Saleh, 2016

⁸³ “Egypt names six provincial governors, mostly ex-generals”, *Reuters* (web), 7 September 2016

⁸⁴ Yezid Sayigh, *Above the State: The Officers' Republic in Egypt*, The Carnegie Papers (Washington DC: Carnegie Endowment for International Peace, 2012)

⁸⁵ Marwa Awad, “Special Report: In Egypt's military, a march for change”, *Reuters* (web), 10 April 2012

for the next eight years to select the Minister of Defence, who cannot be a civilian, effectively gaining near-total control over any matters pertaining to the defence sector.⁸⁶

But there were more changes that granted the armed forces additional privileges, and removed them further from scrutiny. Article 204 of the constitution shields members of the military and intelligence services from civilian oversight, giving military courts the “exclusive” right to adjudicate on crimes committed in the course of duty.⁸⁷ In April 2012, shortly before the election of Mohamed Morsi as President, Parliament passed amendments to the 1966 Military Judiciary law, ensuring that military judiciary was the sole authority responsible for investigating cases of illicit gains by military officers.⁸⁸

These steps have been taken against a wider backdrop of weakened judicial ability to hold to account the executive branch. In 2015, in President el-Sisi used the absence of an elected parliament to give himself the power to remove the directors of supervisory and regulatory bodies. Law number 89 of 2015 was subsequently used in March 2016 to dismiss Judge Hisham Genieeina, the chief national auditor, after he had spoken out about the scale of governmental corruption, and criticised the manner in which public concessions were granted.⁸⁹ He was subsequently sentenced to a year in prison. National audit is one of the most effective forms of countering corruption; removing auditors who try to do their job is a manifestation of, and significantly increases the risk of, the abuse of power exercised by the military.

The so-called Chief Judicial Appointment Law, passed in 2017, further stifles the ability of courts in general, and the administrative court in particular, to act effectively against corruption. The law gives greater powers to the president in appointing senior judges of different judicial authorities including the State Council, replacing an age-old tradition of age seniority in choosing heads of courts.⁹⁰ This new law is believed to have been drafted specifically to sideline Yahia al-Dakroury, an independent-minded State Council judge who ruled several times against the government, to prevent him from becoming the President of the State Council despite being the choice of the majority of State Council judges.⁹¹

THE SQUASHING OF THE MUSLIM BROTHERHOOD

In 2012 Mohamed Morsi, of the Freedom and Justice party – linked to the Muslim Brotherhood – was elected president. Apparently treading carefully at the outset, Morsi explicitly didn’t challenge SCAF or the military – indeed he publicly praised them.⁹² The military was able to continue its economic activity largely undisturbed, while seeming to become more removed from political life.⁹³

However, in November 2012 Morsi issued a (short-lived) presidential decree granting himself almost unlimited powers to rule.⁹⁴ In parallel, the Muslim Brotherhood began to interfere with matters formerly the preserve of the armed forces, trying to sideline the military on megaprojects such as the Suez Canal development plan and the Toshka land reclamation project - and so threatening the Officers’ Republic.⁹⁵

In April 2013 the anti-Morsi Tamarrud (“rebellion”) movement began to collect signatures calling for the President to stand down. Their activism culminated in a massive protest against Morsi on 30 June.⁹⁶ A week before the protests, el-Sisi, chief of the armed forces, said the military’s responsibility to Egyptian citizens meant it needed to prevent the country “slipping into a dark tunnel of conflict, internal fighting.”⁹⁷ On 3 July he announced that he had suspended the constitution and nominated Adly Mansour as interim president. Evidence has subsequently emerged to suggest that the leadership of the Tamarrud movement was drawing on a bank account administered by Egypt’s generals and replenished by the United Arab Emirates.⁹⁸

In August the violent dispersal by security forces of sit-ins at Cairo’s Rabaa al-Adawiya and al-Nahda squares protesting Morsi’s ouster and arrest, left at least 900 people dead and thousands more injured. Hundreds who attended the protests were arrested to face trial.⁹⁹ In December 2013 the group was designated a terrorist organisation.¹⁰⁰ In the year that followed the coup, around 41,000 people were arrested, the majority

86 “Constitution of The Arab Republic of Egypt 2014”, *State Information Service* (web), <http://www.sis.gov.eg/Newwrr/Dustor-en001.pdf>

87 Omar Ashour, “Armed Institutions in Egyptian Constitutions”, *Brookings* (web), 14 January 2014

88 <http://onaeg.com/?p=76794>

89 Omar Fahmy, “Egypt’s Sisi sacks top auditor who alleged mass state corruption”, *Reuters* (web), 28 March 2016

90 Rana Mamdouh, “Sisi and the judges: Game over?”, *Mada Masr* (web), 2 May 2017

91 Rana Mamdouh, “Meet Yehia Dakroury, the sidelined State Council judge”, *Mada Masr* (web), 19 June 2017

92 “Morsi address Armed Forces, promises to maintain army’s security role”, *ahram online* (web), 30 June 2012

93 Zeinab Abul-Magd, “Egypt’s Military Business: The Need for Change”, *Middle East Institute* (web), 19 November 2015

94 “Morsi supporters clash with protestors outside presidential palace in Cairo”, *The Guardian* (web), 5 December 2012

95 Shana Marshall, “The Egyptian Armed Forces and the Remaking of an Economic Empire”, *Carnegie Middle East Center* (web), 15 April 2015

96 “Profile: Egypt’s Tamarod protest movement”, *BBC News* (web), 1 July 2013

97 “Egypt’s army delivers an ominous warning”, *CBS News* (web), 23 June 2013

98 David D. Kirkpatrick, “Leaks Gain Credibility and Potential to Embarrass Egypt’s Leaders”, *The New York Times* (web), 12 May 2015

99 “Egypt: Rampant impunity for security forces illustrates dark legacy of Rabaa massacre”, *Amnesty International* (web), 14 August 2017

100 Salma Abdelaziz and Steve Almassy, “Egypt’s interim Cabinet officially labels Muslim Brotherhood a terrorist group”, *CNN* (web), 25 December 2013

of them supporters of the Muslim Brotherhood.¹⁰¹ Death sentences were issued against 529 Muslim Brotherhood members in a single verdict in 2014.¹⁰²

The ouster of Morsi and the crushing of the Muslim Brotherhood as a viable political entity has left the armed forces with no serious challengers to its power within Egypt.

Crushing Dissenting Voices

In addition to its assault on the Muslim Brotherhood (see text box), el-Sisi's government has methodologically sought to crush any hint of challenge from other quarters, with protesters, civil society groups and the media particularly targeted. Egypt has become the world's third biggest jailer of journalists.¹⁰³

Having been brought to power on the back of popular protest, the military-based interim government was quick to put in place measures to stop the same thing happening again. A restrictive 2013 law on public assembly granted security officials and police officers the right to ban protests and detain protesters on ambiguous charges.¹⁰⁴ Subsequent protests against the government have been met with a harsh response, with mass arrests of hundreds of protesters, journalists and human rights defenders in one such episode in April 2016.¹⁰⁵ In this context, and with the memory of Rabaa still fresh, large protests are unsurprisingly now much rarer than five years ago.

Egypt's 2014 constitution allows for the trial of civilians in military court in a dangerously wide range of circumstances, and the el-Sisi government has sought to expand the use of such courts. A law issued in 2014 granted military courts jurisdiction over any alleged crimes occurring on public land, including electric towers and stations, gas pipelines, roads, bridges, and other undefined public facilities. Although the constitution theoretically grants independence to the military judiciary, the Military Judiciary Law grants an administrative entity within the Ministry of Defense the authority to regulate it.¹⁰⁶ The effect of this is that trial under a military court is stripped of the basic tenets of independence and in practice makes conviction all but certain. Between 2014 and 2016 alone Egypt tried 7,400 civilians under military courts, most after mass trials that violate fundamental due process rights.¹⁰⁷ The desire of the military to control even

judicial proceedings has undermined the rule of law and damaged Egyptians' confidence in judicial processes and ultimately their trust in government.

New means of squashing alternative perspectives to those of the military continue to be developed. A draconian NGO law issued in May 2017 would subject civil society organizations to constant scrutiny and monitoring, severely restrict their ability to collect funding, and put their staff at risk of licence removal, severe fines and prison sentences if they do not comply.¹⁰⁸

The desire of el-Sisi and the armed forces to maintain control has resulted in a system designed to enforce order and shut down any elements of society that may seem to be offering a challenge. Strangling channels for Egyptian citizens to express their grievances legitimately, in a context of threats from extremist groups and severe economic challenges, is a powerful recipe for insecurity.

The fact that almost all opponents in the 2018 Presidential campaign have either been arrested, intimidated or withdrawn suggests there is no plan to change the approach of silencing dissent. Presidential candidate Sami Anan, the former head of Egypt's armed forces, was arrested by the army for committing violations that 'warrant official investigation' and subsequently withdrew his candidacy hours later.¹⁰⁹ Furthermore, Hisham Geneina, who was the former head of Egypt's Administrative Control Authority and was appointed by Anan as his vice president running mate, was also attacked and beaten in the streets by unidentified men earlier this year.¹¹⁰

Public Image Campaigning

In addition to using personnel and legal systems to secure its authority and control, the armed forces have made considerable efforts to maintain and enhance the public image of the military establishment. This has involved the military publicly providing (or being seen to provide) crucial services to the Egyptian people. The military's involvement in the baby milk shortage crisis and the 'miracle cure' for HIV/Aids and Hepatitis C mentioned above both involved sustained public relations campaigns that aimed to present the military as Egypt's saviours and protectors.¹¹¹ President el-Sisi himself often promotes himself as father and protector of the nation, for example with his famous quote "Don't you [the people] know you are the light of our

101 Joe Stork, "Egypt's Political Prisoners", *Human Rights Watch* (web), 6 March 2015

102 "Egypt: UN rights experts denounce mass death sentences as 'mockery of justice'", *UN News* (web), 31 March 2014

103 "Record number of journalists jailed as Turkey, China, Egypt pay scant price for repression", *Committee to Protect Journalists* (web), 13 December 2017

104 "Egypt: Deeply Restrictive New Assembly Law", *Human Rights Watch* (web), 26 November 2013

105 "Egypt: UN experts report worsening crackdown on protest", *UN News* (web), 9 May 2016

106 Sahar Aziz, "The Expanding Jurisdiction of Egypt's Military Courts", *Carnegie Endowment for International Peace* (web), 12 October 2016

107 "Egypt: 7,400 Civilians Tried in Military Courts", *Human Rights Watch* (web), 13 April 2016

108 "Egypt: New Law Will Crush Civil Society", *Human Rights Watch* (web), 2 June 2017

109 "Egypt curbs opponents of presidential election", *Al Jazeera* (web), 7 February 2018

110 "Breaking: Unidentified men assault ex-head of Egypt's Admin Control Authority, Hisham Geneina, sustain injuries", *Egypt Independent* (web), 27 January 2018

111 "It gets ever sillier", *The Economist* (web), 28 February 2014

eyes?"¹¹²

These attempts have only been partly successful. Held in high esteem by much of the Egyptian public in 2011 and – much more divisively – in 2013, the reputation of the Egyptian military appears to have been undermined in the intervening years. Even in 2014, a year after Mohammed Morsi's ouster, polling showed the favourability of the military falling – and their disapproval rating rising significantly – against the previous year.¹¹³ In 2016 an Egyptian poll found that President el-Sisi's popularity had dropped by 14 per cent against the previous year, albeit from a high starting point of 84 per cent approval.¹¹⁴ The government subsequently warned Egyptians not to participate in polls. In the lead-up to elections in 2018, there has been increased public criticism of the President, despite the risks for those making such criticisms, in a heavily censored political environment.¹¹⁵

Protests have not been banished all together and in fact the Egyptian Center for Economic and Social Rights estimated that in 2016 alone, a total of 1,736 social, economic and labour protests took place across Egypt.¹¹⁶ In April 2016, after the government's decision to transfer two Egyptian Red Sea islands to Saudi Arabia, Egypt saw its largest protests since President el-Sisi took office. The protests demonstrated increasing discontent with President el-Sisi with many accusing him of selling off sovereign territory in return for billions of dollars of Saudi aid.¹¹⁷

Further protests broke out in November 2016 across the country, with hundreds of citizens protesting against the increasingly harsh austerity measures imposed by the government and the intensifying poor economic conditions and rising prices,¹¹⁸ and again in March 2017, when hundreds of Egyptians protested against the government's decision to cut bread subsidies by at least two-thirds. Protestors blocked roads and surrounded government.¹¹⁹ In August 2017, 16,000 workers went on strike at Mahalla Textile Company in protest of delayed bonuses and other grievances relating to salaries and promotions.¹²⁰ And in January this year there were violent protests against the death of a detainee being held in police custody, demonstrating intensifying discontent with President el-Sisi's government ahead of the 2018 presidential elections.

112 David D. Kirkpatrick, "Egypt's New Strongman, Sisi Knows Best", *The New York Times* (web), 24 May 2014

113 "One Year after Morsi's Ouster, Divides Persist on El-Sisi, Muslim Brotherhood", *Pew Research Center* (web), 22 May 2014

114 "The performance of President al-Sisi after 28 months in office", *baseera* (web), 22 October 2016

115 Amina Ismail, "Some former Sisi allies turn critics as Egypt election nears", *Reuters* (web), 9 July 2017

116 "1,736 social, economic and labor protests across Egypt in 2016: ECESR", *Mada Masr* (web), 26 December 2016

117 Nashat Hamdy and Mahmoud Mourad, "Egypt's parliament approves Red Sea islands transfer to Saudi Arabia", *Reuters* (web), 14 June 2017

118 May Bulman, "At least 130 arrested after protests across Egypt over poor economic conditions and rising prices", *Independent* (web), 12 November 2016

119 "Egypt bread riots: Protests erupt after subsidy cuts hits poor", *Middle East Eye* (web), 8 March 2017. Also see Ruth Michaelson, "'We want bread': subsidy cut sparks protests across Egypt", *The Guardian* (web)

120 "16,000 workers on strike at Mahalla Textile Company", *Mada Masr* (web), 8 August 2017

4. THE KING IS DEAD, LONG LIVE THE GENERALS?

Egypt's armed forces have played a uniquely powerful role in Egypt for decades before the 2011 protests which toppled then-President Hosni Mubarak. Since then, they have cemented and expanded their role, by managing the political transition in 2011 and 2012, ousting the country's first democratically elected civilian President in 2013, backing an interim civilian technocratic government and finally providing a President from their own ranks, General Abdel Fattah el-Sisi. In its largely uncontested role as a patriotic institution, providing health and education for the public where other providers fail, the military has ensured the continuation and expansion of its vast business empire and economic privileges, cracking down on any hint of opposition.

Yet Egypt is no closer to fulfilling the basic asks of the 2011 protests for "bread, freedom and social justice" than it was before the protests. The now famous slogan of the 18-day protests, "the people demand the downfall of the system", did not yield the desired results. The system looks as entrenched as ever. While the protests resulted in the downfall of a President, the complex interaction between *wasta*, patronage and the secretive and powerful role of the armed forces remain intact. Genuine public discourse on political matters is discouraged and any scrutiny or criticism of the armed forces is explicitly ruled out.

"If someone insults the army or police they're defaming all Egyptians and that's not freedom of opinion." President Abdel Fattah el-Sisi, March 2018¹²¹

The operation of an institution as large and powerful as the Egyptian military without even basic provisions of transparency and accountability is presenting a significant security risk to the country – arguably as profound as the forces of radical extremism it is supposed to be there to contain. The complete absence of independent scrutiny leads to critically high corruption risks, and enables the abuse of power. The armed forces, purposed towards creating wealth and maintaining a complex patronage

network, lack the capacity and competence to fulfil their main purpose, and become unable to respond to security threats, while the underlying resentment that underpinned the protests of 2011 remain just as strong. Despite being one of the world's largest importers of defence capability, Egypt does not seem any more capable of effectively addressing the insurgency in Sinai.

In the long run, Egyptian security rests on armed forces which serve the public interest. But there is little prospect for reform. The President is not affiliated with a political party and parliament mostly consists of individually elected candidates and is not empowered to exercise genuine oversight over government institutions, let alone the defence and security sector.¹²² This perpetuates the unrivalled role of the armed forces.

In an environment where there is little domestic space for even basic transparency and accountability, the international community's approach is vital. Corrupt governments are questionable partners in building a more stable region, yet they are major targets of significant international support. There can be no more obvious example of this than the misplaced support for the Egyptian armed forces. The high hopes of many Egyptians for a new social contract following the 2011 protests have effectively been subverted by the military, and this happened with the often tacit – but vital – support of the international community. International legitimacy, bestowed by significant amounts of security assistance and joint exercises, has certainly helped the military further solidify its privileged economic and political position.¹²³

The US suspension of security assistance, following the military-led coup, was quickly lifted in March 2015, without any clear evidence of or commitment towards positive reforms.¹²⁴ Quite the contrary. When eight F-16 fighter aircraft were delivered in August of that year, the US embassy even announced the delivery on Twitter, using President el-Sisi's campaign slogan - "Long live Egypt" - as the hashtag.¹²⁵

"The US delivered 8 new F16s to the Egyptian Air Force this week - watch them fly over Cairo! #رصاصايحت"

US Embassy in Cairo, July 2015

121 "Insulting Egyptian security forces is high treason, says Sisi", *BBC News* (web), 1 March 2018

122 Abdullah Al-Arian, "Egypt's hollow parliament", *Al Jazeera* (web), 12 January 2016

123 Barbara Starr and Ryan Browne, "US to participate in biennial military exercise with Egypt for first time since Arab Spring", *CNN Politics* (web), 16 August 2017

124 Jeremy M. Sharp, "Egypt: Background and U.S. Relations", *Congressional Research Service* (web), 25 February 2016, www.dtic.mil/get-tr-doc/pdf?AD=AD1019776.

125 US Embassy Cairo, "The US delivered 8 new F16s...", *Twitter* (web), 31 July 2015, <https://twitter.com/USEmbassyCairo/status/627160593909317632>

The United States government has traditionally viewed Egypt as a key strategic partner in the region which is evidenced by the sizeable security assistance.¹²⁶ There are serious concerns, however, about whether this partnership is really promoting domestic and regional stability in its current form. Beyond security assistance, broader international support and financial assistance in post-Mubarak Egypt have also contributed to the armed forces' ability to cement its power and strengthen its tight hold on the economy. Egypt has been undergoing a comprehensive reform programme of the International Monetary Fund (IMF) since November 2016 in the form of an Extended Fund Facility arrangement for about US\$12 billion.¹²⁷ Following its first review of the reform program, completed in July 2017, the IMF disbursed another US\$1.25 billion. The IMF, which had always criticised the role of the public sector in marginalising the private sector, barely mentioned the business interests of the military in its second review of the reform programme:

“This large role of the state imposes large public outlays, limits the fiscal space for productive investments in infrastructure and human capital, and marginalizes the private sector. The result is limited scope for higher growth and job creation, especially for youth and women.”¹²⁸

Kleptocratic systems, the abuse of power and the theft of resources are not isolated phenomena: they are enabled by poor judgment, inadvertent facilitation, negligence, and sometimes support from the international community. Political support for strongmen and their institutions, especially in states facing severe security challenges, can tip the scales in their favour, enabling patronage networks secured by lucrative rents. International trade and investment in countries struggling with high levels of corruption risk are fraught with difficulties: while contracting with local actors can be a much-needed boost to the economy, large contracts coming with sweeteners for the ruling elite can perpetuate their hold on state structures and enable further diversion of resources.

Most importantly, the failure to recognise the Egyptian armed forces' vast political and economic power as one of the root causes of the country's problems is undermining international efforts to help the country move in the right direction. Tackling the abuse of power by the armed forces should be a first order priority. And, in the absence of any empowered internal advocates for stronger domestic oversight and civilian control over defence matters, the

international community is possibly now the only actor with the opportunity to improve defence and security governance in Egypt. A commitment to basic transparency and independent, public, oversight over military budgets and activities should be a pre-requisite for international support.

¹²⁶ Michele Dunne, “The United States’ Assistance for Egypt”, *Carnegie Endowment for International Peace* (web), 25 April 2017

¹²⁷ “IMF and Egypt Frequently Asked Questions”, *International Monetary Fund* (web), 20 December 2017, www.imf.org/en/Countries/EGY/Egypt-qandas

¹²⁸ International Monetary Fund, *IMF Country Report No. 18/14, Arab Republic of Egypt* (Washington DC: International Monetary Fund, 2018)

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