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EGYPT'S ADAPTABLE OFFICERS: POWER, BUSINESS, AND DISCONTENT

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Abd al-Fattah al-Sisi is the fourth military president of post-colonial Egypt, and before his rise to power his fellow officers accumulated exceptional political and economic privileges. The paper argues that the Egyptian military managed to weather many fundamental transformations in the country, including socialism, neo-liberalism, and recently mass uprisings, and successfully adapted to change in order to amass power and expand its profitable business enterprises. In order to reach such hegemonic status, the “adaptable officers” switched alliances between various socioeconomic groups, and deployed a nationalistic rhetoric. The paper poses questions about al-Sisi’s ability to maintain the alliances that he has formed with the business elite, workers, and middle-class women in order to win the presidential elections, and the military’s power to survive change amidst continuous discontent.

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Introduction

In Egyptian post-colonial history, Abd al-Fattah al-Sisi is the fourth officer in the past sixty years to take off his uniform and govern the country through ballot boxes. Before him, Nasser, Sadat, and Mubarak all formed military regimes, where fellow officers enjoyed superior political and economic privileges entrenched within the state structure. This paper argues that while Egypt weathered many fundamental moments of political and economic transformation during the last few decades, the military managed to adapt to these changes and survive them—while constantly forging new alliances and maximizing its economic and political advantages. Evidently, the officers have successfully adjusted to and survived a new upheaving wave of change through the last three years, and came out of it with full retention of power. Nevertheless, this paper poses questions about the ability of the new military regime to adapt to discontent in the current post-revolutionary times, as al-Sisi takes measures that risk the very socioeconomic alliances he has recently built to reach power.

This paper investigates the history and contemporary realities of Egypt's "adaptable officers",¹ as they survived socialist, neo-liberal, and revolutionary moments of transition— while often deploying a nationalistic rhetoric. The paper then inquires into al-Sisi's economic policies, which unfavorably affect the interests of his social base of supporters and would likely generate continuous unrest.

(1) From Socialism to Neo-liberalism, 1950s-2000s

On July 23rd, 1952, the first military regime was born in Egypt, when a group of young officers launched a coup that deposed the monarch and kicked out the British colonizer. Only a few weeks afterwards, in response to the long-standing demands of the lower classes, the ruling officers issued a land reform law that confiscated thousands of acres from the landed aristocracy and distributed them to impoverished peasants. This was soon followed by other measures to nationalize the industrial properties of local and foreign capitalists in the country. Thus, led by Nasser, the army appointed itself as the "vanguard of progress" and social justice in the newly independent nation². In 1962, the military regime decided to adopt socialism. The state came to own all economic assets and created numerous public enterprises, and army officers installed themselves as the managers of these state-owned factories and companies.

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¹ This term is inspired by J. STACKER'S *Adaptable Autocrats: Regime Power in Egypt and Syria* (Palo Alto: Stanford University Press, 2012).

² See G.A. NASSER, *Falsafat al-Thawra*, Cairo, Bayt al-'Arab li-l-Tawthiq al-'Asri, 1996.

Corruption, mismanagement, and failure proliferated throughout the public sector, and this was shortly followed by the army's 1967 war defeat.

After humiliating military and economic failures, the army politically fell from grace. During the 1970s, Anwar Sadat – the second military president of the country (1970-1981)— took radical steps to demilitarize the state. Sadat marginalized the officers in politics, as he increased the number of civilian technocrats in the cabinet and the bureaucracy and radically reduced the number of military governors of provincial areas³. Moreover, the army's economic control over the public sector declined with Sadat's "open door" policy, as he privatized parts of the state-owned enterprises that officers had previously managed. To make things worse for the army, Egypt signed the 1979 peace treaty with Israel, which theoretically meant that the officers would lose importance and relevance in Egyptian politics.

Nonetheless, the military institution adjusted to such hard times and quickly managed to come back to a hegemonic place within the state under Mubarak— the third military president of the country (1981-2011). Right after the peace agreement, the Ministry of Defense created the "National Service Products Organization (NSPO)", whose goal was to assimilate the energy of the officers who were no longer needed to fight into efforts of economic development. Field Marshall Abd al-Halim Abu Ghazala, Mubarak's first defense minister and also a member of his ruling National Democratic Party, turned NSPO into a business empire, especially as a large food producer and gigantic public contractor. Throughout the 1980s, NSPO and other military corps built bakeries for subsidized bread, factories for frozen vegetables, mechanized slaughterhouses, chicken farms, fish farms, pasta factories, textile factories, and much more. They constructed thousands of apartment buildings, bridges, roads, schools and hospitals for the government⁴.

When the age of neo-liberalism arrived in Egypt in the 1990s and 2000s, the adaptable officers again made new adjustments and took immense advantage of it. They expanded a their vast empire of profitable business enterprises, and managed to restore a considerable share of authority to compensate for their losses during Sadat's period. Meanwhile, they maintained a public rhetoric on their patriotic contribution to economic development⁵, and switched their old socialist alliances with the lower

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³ A. ABD ALLAH (ed.), *al-Jaysh wa-l-Dimuqratiyya fi Misr*, Cairo, Sina li-l-Nashr, 1990; M. COOPER, "Demilitarization of Egyptian Cabinet," *International Journal of Middle Eastern Studies*, 14, 1982, p. 208, p. 210.

⁴ See *Al-Malaff al-Watha'iq li-l-Mushir Muhammad 'Abd a-Halim Abu Ghazala*, Cairo, Markaz al-Ahram li-l-Tanzim wal-Microfilm, 1981-1989, Part 2, 3.

⁵ See for example General Jamal Mazlum, *al-Quwwat al-Musallaha wa-l-Tanmiya al-Iqtisadiyya*, Cairo, Markaz Dirasat al-Duwal al-Namiya, 1999.

classes to the rising business elite and foreign capital in a market economy milieu.

In 1992, Mubarak applied a full-fledged economic liberalization plan in accordance with the IMF and World Bank's reform blueprint, which entailed cutting budget spending - including military expenditure. In order to appease the officers and avoid potential mutiny, Mubarak allowed the military to expand their production of lucrative civilian goods. Generally, under Mubarak three major military bodies were engaged in profitable civilian manufacturing and services: the National Service Products Organization (NSPO), the Ministry of Military Production (MoMP), and the Arab Organization for Industrialization (AOI). The three bodies produced a wide variety of goods: steel, cement, chemicals, luxury jeeps, butane gas cylinders, kitchen stoves, home appliances, gas pipelines, infant incubators, pasta, olive oil, mineral water, and much more. The military came to own a large number of gas stations, hotels, wedding halls, supermarkets, parking lots, domestic cleaning offices, transportation and shipping companies, etc., across the country⁶. They collaborated with many local business tycoons and hired them as subcontractors, and worked with foreign capital - especially from the Arabian Gulf⁷.

In addition, in the 2000s, when he planned for his son Gamal to succeed him, Mubarak had to appease the military further in another way: by re-granting them a significant share of authority. Large numbers of retired officers were appointed to high-ranking positions in many places in the state bureaucracy in the north and south of the country. For example, on the eve of 2011, 18 out of 27 provincial governors were retired army generals. Retired officers also served as governors' chiefs-of-staff, directors of small towns, and heads of both wealthy and poor highly populated districts in Cairo. The state-owned oil sector was highly militarized, as retired generals ran many natural gas and oil companies. They also controlled national commercial transportation. The position of the head of the Suez Canal was always reserved for the retired military chief of staff. The heads of the Red Sea ports were retired generals, as were the managers of the public-sector maritime and land transport companies⁸.

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⁶For more details see: Z. ABUL-MAGD, "The Generals' Secret: Egypt's Ambivalent Market," *Sada*, Carnegie Endowment, Washington DC, February 2012; Z.

ABUL-MAGD, "The Army and the Economy in Egypt", *Jadaliyya*, 23 December 2011.

⁷About foreign capital see: S. MARSHALL and J. STACKER, "Egypt's Generals and Transnational Capital," *MERIP*, no. 262, vol. 42, Spring 2012.

⁸For more details see: Z. ABUL-MAGD, "The Egyptian Republic of Retired Generals," *Foreign Policy*, 8 May 2012; Z. ABUL-MAGD, "Understanding SCAF," *Cairo Review*, Summer 2012.

(2) Winning a Revolution, 2011-2013

When the January 2011 uprisings targeted the failed neo-liberal regime of Mubarak, his son, and their crony capitalists, the officers again quickly adapted to the new situation. They switched alliances to the rising Islamists, and winningly collected more advantages in business and politics - amidst prolonged unrest and turmoil.

In February of 2011, after the protesters in Tahrir Square celebrated deposing Mubarak, the Supreme Council of Armed Forces (SCAF) offered its help to run the country for a short transitional period. State-owned media played the 1960s nationalist songs of Nasser's era, and SCAF stayed in power for a full year and half until June 2012. Led by Field Marshall Tantawi, SCAF hired two weak prime ministers, who signed letters of appointment for a large number of retired army generals and colonels in the state bureaucracy and the public sector. SCAF also issued a law giving allegedly corrupt army officers, including those who retired and occupied civilian offices, immunity from prosecution in civilian courts - Law Decree No. 45 of 2011. In addition, SCAF opened an industrial chemicals complex south of Cairo producing fertilizers, and a cement factory in North Sinai. It also constructed new toll highways in Upper Egypt for profit⁹.

SCAF voluntarily adopted a democratic discourse and held many rounds of elections. The Egyptian people went to the ballot boxes to vote four times under SCAF: in a referendum on a constitutional declaration drafted by a committee chosen by SCAF with Muslim Brotherhood members leaders in it and headed by an Islamist judge; two parliamentary elections; and one presidential election. On every occasion the ballot box results were in favor of the Islamists - particularly the Muslim Brotherhood. The soldiers of the Armed Forces protected the voting sites, but they allowed the Islamists to violate electoral rules by heavily using religious slogans and publications inside electoral commissions and buying votes - as many civil society organizations that monitored elections recorded¹⁰.

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⁹ For more details see Z. ABUL-MAGD, "Time for a Civilian Handover", *Egypt Independent*, 1 April 2012.

¹⁰ See for example "Taqrir Huquqi: Shira' Aswat wa-Bitaqat Dawwara wa-Qudah Yuwajihun al-Nakhibin fi Awwal Ayyam al-Marhala al-Thalitha", *al-Masry al-Yaum*, 3 January 2012; "Hurra Naziha: Mursi Yatasaddar Intihakak al-Yawm al-Awwal", *El-Badil*, 23 May 2012.

SCAF and appointed a new minister of defense, General Abd al-Fattah al-Sisi, who fully collaborated with the Brotherhood's new regime. Soon afterwards, in their new constitution drafted and approved through a public referendum in December 2012, the Muslim Brotherhood created a privileged, autonomous status for the military within the state. Article No. 197 kept the military budget - even pertaining to revenue from civilian businesses - above public scrutiny. It placed the authority to oversee the military budget only in the hands of the National Defense Council, a governmental body consisting mainly of military officers nominated internally. The parliament was obliged to consult the same council on any future laws relevant to the armed forces before they were issued.

Furthermore, Morsi hired a large number of retired officers for top bureaucratic positions, including 7 governors of provinces. He directly granted the Military Engineers Authority contracts for many public construction projects, outside of competitive public tenders. The Brotherhood's minister of transportation granted the military the right to turn the Cairo-Alexandria desert road into a toll highway and administer it for profit. The Muslim Brotherhood's legislature, the al-Shura Council, transferred the property rights of a state-owned car factory to the MoMP. The same ministry invested in assembling tablets, and different other ministries in the Brotherhood's cabinet placed orders to buy thousands of these products - again outside competitive public tenders. In addition, the military was allowed to acquire more land to build new malls. In November 2012, the head of the state's Central Auditing Organization confirmed that he had no access to the accounts of military-owned businesses¹¹.

Despite amassing many political and economic benefits through the alliance with the Muslim Brotherhood, al-Sisi's military eventually decided to side with the protesting masses and depose the Islamist president in June 2013. Complex domestic and regional reasons provoked such a move, including the Brotherhood's severe economic incompetence and failure and the Gulf monarchies' fear of their expansion. At any rate, this marked a new phase for the adaptable officers to once more switch alliances and deploy old nationalistic rhetoric to reach ultimate gains.

(3) Al-Sisi vs. Discontents

From June 30th of last year until winning presidential elections last month, al-Sisi sought the support of mainly three social groups: the business elite, workers in the public and private sectors, and middle-class women. While

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¹¹ For more details see Z. ABUL-MAGD, "Chuck Hagel in Egypt's Economic Chaos", *Atlantic Council*, 29 April 2013; Z. ABUL-MAGD, "Egypt's Politics of Hidden Business Empires: the Brotherhood versus the Army", *Atlantic Council*, 5 October 2012.

state TV played many patriotic songs celebrating the army's success in saving the nation, the al-Sisi-led regime forged new economic policies affecting these three groups. So far, such policies do not seem to assuage their discontent; on the contrary, they might increase public unrest.

Last summer the al-Sisi-led interim regime opted to ally itself with the country's leftist groups, especially social democrats and Nasserites. Apparently this alliance was in order to appease the working classes and reduce their protests centered on economic demands. For instance, the appointed prime minister, Hazim al-Biblawi, belonged to the party of the social democrats and he hired a number of ministers sharing similar political stances. More importantly, the minister of labor, Kamal Abu 'Ita, was a Nasserite leader of independent labor unions. The minister of social solidarity, Ahmad Al-Bura'i, was also a strong supporter of independent labor unions. However, this left-oriented cabinet noticeably failed in calming workers' strikes, and had to resign partially due to this—especially after its incompetence in resolving longstanding demands for a minimum wage¹². The al-Sisi-led system then quickly switched alliances again, as the succeeding cabinet of Ibrahim Mihlib replaced leftist officials with either technocrats or liberal ones. This cabinet also was not successful in assuaging labor protests. Al-Sisi has kept Mihlib as prime minister after winning the presidential election.

Needless to say, the two aforesaid prime ministers carried on the tradition of hiring a large number of retired officers for top government positions - most of them are still in office. To mention a few, 15 out of 25 governors of provinces are retired army generals. Other fellow retired officers are currently heads of sea and Nile ports, including the Damietta, Alexandria, Port Said, and the Red Sea Port Authorities. The heads of the government authorities of industrial development, agricultural development, and subways are all retired generals. The heads of the state-owned holding companies of, for instance, chemicals, land and sea transportation, and grain silos are also officers. Moreover, when an appointed committee of 50 public figures, many of them leftists, drafted a new constitution and passed it through a public referendum last January, its text maintained the exact same privileges that the military enjoyed in the Brotherhood's constitution. Article No. 203 of the new constitution states that the military budget should be listed as only one number in the state budget, and should be discussed only by the "National Defense Council" - the majority of whose members are officers.

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¹²M. KAMIL and D. 'UTHMAN, "Intifadat al-'Ummal Tutih bi-Hukumat al-Biblawi", *al-Masry al-Youm*, 25 February 2014; K. 'ABBAS, "al-'Ummal Iktashafu Anna al-Hadd al-Adna li-l-Ujur Wahm Siyasi", *al-Masry al-Youm*, 25 June 2014.

Furthermore, the military's economic enterprises further expanded their old role as "parastatal" entities, by taking up state tasks and fulfilling them for profit. Different military contractors embarked on large public construction projects worth billions of Egyptian pounds, without having to go through competitive and fair public tenders. In order to ease the process, the interim president issued decree No. 48 of 2014 to amend the public bids and tenders law, allowing the government to conclude agreements with contractors through "direct allotment" in "urgent" matters for construction projects of LE 10 million or less. Thus, the government hired military contractors to build or develop hospitals, bridges, roads, tunnels, thousands of social housing units, and the Cairo-Alexandria toll road and collect its fees. Between the two months of September and November 2013 alone, different army entities obtained public construction contracts worth around LE 7 billion - according to official statements¹³.

Such hegemony over this field generated discontent among the business elite. During his election campaign, al-Sisi appealed to the business tycoons still influential from Mubarak's era for support. Many of them did back him, especially those who own media networks, but others showed noticeable apathy. Last April, the head of the "Federation of Egyptian Industries" complained about the outrageous privileges of military contractors in developing and administering toll roads, and insisted that the Cairo-Alexandria highway contract in particular was illegal¹⁴. Furthermore, before and after the elections, Mhilib's old and new cabinets proposed a new law taxing stock market profits, which led to great, unresolved controversy among large shareholders¹⁵. The presidential elections witnessed low turnout that necessitated extending the voting time into a third day, and one of the reasons for such a crisis was that owners of private-sector factories refused to give their laborers time off to go cast their votes¹⁶.

On the labor side, the situation does not seem better. Since last summer and until the presidential elections, workers' protests in various sectors expanded across the north and south of the country for economic rights¹⁷. During his presidential campaign, al-Sisi managed to gain the support of

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¹³ M. SULAYMAN, "al-Jaysh Yahsul 'ala 'Uqud Muqawalat Hukumiyya bi-Qimat 7 Milyarat Junayh fi Shar", *Masrawy*, 24 November 2013.

¹⁴ M. SA'D DIYAB, "Ittihad al-Sina'at: Isnad Istighlal al-Sahrawi li-l-Jaysh Mukhalif li-l-Qanun", *Shabab al-Nil*, 12 April 2014, <http://www.shabalnil.com/?p=76320>.

¹⁵ S. AL-'ANTARI, "al-Dariba 'ala Arbah al-Ta'amul fi-l-Bursa", *al-Ahram*, 7 June 2014.

¹⁶ R. MUHASSAB, "Talabat Rijal al-A'mal bi-Irsal al-'Ummal li-l-Taswit, Lamis al-Hadidi", *al-Wafd*, 26 May 2014.

¹⁷ For instance, see this report compiled by the "South Center for Rights" on labor protests in Upper Egypt: Rania Rabi', "Ummal Sa'id Misr: Ihtijajat wa Ra'is Jadid", *Mada Masr*, 18 June 2014, <http://www.madamasr.com/ar/content/>

both the old labor unions, previously affiliated with Mubarak's ruling National Democratic Party, as well as newly formed independent unions. In a recent statement, al-Sisi strongly affirmed that he would not respond to labor protests and their "sectorial demands", because the government does not have the resources. In reaction, various labor unions raised objections and wide controversy about this statement¹⁸.

Finally, for middle-class women, whom al-Sisi has always addressed in his speeches, they now have to face financial crises with their home economics - with new policies of austerity and budget cuts. The government has already announced raising the prices of fuel of all sorts, which will automatically translate into a rise in transportation costs and subsequently food prices. The government has also announced raising electricity and natural gas fees, which will multiply the figures on the bills that these middle-class women pay monthly in their homes. The government has expanded these austerity policies also to subsidized bread, as a special ID will be soon required to buy only limited amounts of it daily¹⁹.

For decades, the military managed to weather many hard moments of transformation and emerged from them with immense political and economic benefits. However, will al-Sisi manage to do that again amidst continuous post-revolutionary discontent?

¹⁸ I. 'AWF et. al, "Mawaqif Mutadariba min I'lan al-Sisi Rafd al-Matalib al-Fi'awiyya", *al-Mal*, 25 June 2014.

¹⁹ "Wazir al-Takhtit: Raf As'ar al-Banzin wa-l-Sular wa-l-Kahraba' min Awwal Yuliyu", *Amwal a-Ghadd*, 28 June 2014.