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Three Scenarios for the Development of the Sisi Regime in Egypt

Development Dictatorship, Mubarak 2.0, or Rapid Collapse?

Luca Miehe and Stephan Roll

A referendum on a constitutional amendment is to be held in Egypt at the beginning of May, which would enable President Abdel-Fatah al-Sisi to continue governing after the end of his current term. In the face of massive repression, approval seems certain. This would largely complete the power consolidation of the Sisi-regime, which emerged from the military coup of July 2013. But how will this regime develop in the future? Possible scenarios are a successful development dictatorship, decades of political and economic stagnation, as under Hosni Mubarak, or imminent failure. While a development dictatorship is unrealistic due to a lack of willingness to reform, the other two scenarios entail major risks for Germany and its European partners. In the future, they should therefore link new budgetary assistance to improvements in human and civil rights, focus on humanitarian crisis prevention in line with the "do no harm" approach, and expand contacts with representatives of the Egyptian opposition outside of Egypt.

At the heart of the draft for a constitutional amendment — adopted for the first time by the Egyptian parliament on 14 February — lies an extension of the president's term from four to six years. The amendment is to apply retroactively, meaning that already completed years in office would not preclude him from running again. President Sisi could therefore run two more times after the end of his second term in 2022. He would thus be able to remain president until 2034, when he is 80 years old. In addition, from now on the military will be responsible for "protecting the constitution and democracy." The already omnipotent armed forces would thereby formally be above the constitution, accelerating the militarization of the state. In addition to reducing the size of the parliament and introducing quotas for members of parliament, further changes are aimed at strengthening the presidency vis-à-vis the legislative and judicial branches. For example, the Egyptian Upper House, which was abolished in 2014, is to be reintroduced; in the past, the president had appointed one-third of its members. The president will also chair a new "Council of Judicial Bodies," which will have far-reaching powers to fill top judicial posts. Furthermore, the budgetary independence of the judiciary is to be abolished.

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A failure of the amendment in the final reading at the end of March is regarded as being almost impossible. The few parliamentarians who voiced criticisms have been exposed to smear campaigns; numerous members of small opposition parties have been arrested. The referendum, planned for May, will take place in a climate of fear, similar to the presidential election a year ago. With at least 60,000 political prisoners, the systematic use of torture, and the state-controlled media, a free and fair vote is impossible.

The constitutional referendum concludes the consolidation of the Sisi regime. It began with the military coup in July 2013, which paved the way for the then-defense minister to take office as president. Since then, resistance to Sisi's rule has been suppressed with brutal force. Police-state repression was directed not only against the opposition — especially against supporters of the Muslim Brotherhood, now classified as a terrorist organization. Potential competitors of the president in the state's elite were also eliminated, such as Khaled Fawzy, the former head of the General Intelligence Service (GIS), and Mahmoud Hegazy, the army's chief of staff. This campaign seems to be steered by a small power circle around the president. In addition to Abbas Kamel — Sisi's former chief of staff, who now heads the foreign secret service — its members are his sons Hassan and Mahmoud, who hold high positions in the GIS, and his eldest son, Mustafa, who works in the powerful Administrative Control Authority.

With the climax of Sisi's power consolidation, however, the question arises as to how his regime will develop in the coming years. There are three conceivable scenarios, each with a different probability of occurrence.

Scenario 1 – "Successful Development Dictator"

Sisi's supporters argue that the president needs more time to realize his development visions. Through megaprojects such as the expansion of the Suez Canal as well as the construction of a new capital and a nuclear power plant, Sisi wants to give the country a development boost. The floating of the exchange rate, the cut in energy and commodity subsidies, and the exploitation of newly discovered natural gas deposits are aimed to improve the precarious financial situation and make Egypt independent of international financial aid. In the long run, experts from international financial institutions sometimes suggest that the country could develop into a prosperous economy under Sisi's leadership.

However, there are two obstacles to this scenario. Firstly, the megaprojects, announced by Sisi in highly emotional speeches, are by no means evidence of adequate awareness of the current problems. These projects do not solve the country's core socio-economic problems: neither the dilapidated infrastructure, the inadequate education system, nor the exuberant shadow economy. The funds spent on the expansion of the Suez Canal (more than $8 billion), for example, could have been used more expediently.

On the other hand, the military's position of power impedes the country's development. Reforms always stop where the interests of the armed forces are affected. During Sisi's presidency, the armed forces significantly expanded their activities in the civilian economy — and thus hindered the development of a competitive market economy. In addition, military spending is surging. Egypt more than tripled its arms purchases between 2014 and 2018 compared to the 2009—2013 period, making it the world's third-largest arms importer.

The state's positive reports on the increase in economic growth (in the first quarter of 2018/19 at 5.3 percent) and a falling unemployment rate must be viewed with caution. They are based on dubious public statistics and are not indicators of a reversing trend. The business and investment climate remains poor (in the 2019 "Doing Business" index of the World Bank, it ranked 120th of 190 countries). Foreign

direct investment is still well-below the level of the economic boom years between 2006 and 2008. Above all, government debt is rising unstoppably: Between March 2013 and the end of 2018, foreign debt rose by 142 percent, to $93.1 billion. Potential additional government revenues, such as from the expansion of natural gas production, are likely to be consumed by the high level of debt service alone (currently more than 40 percent of government spending). Egypt's alleged economic upswing has thus been bought at a high price.

Scenario 2 – "Mubarak 2.0"

If President Sisi does not prevail in delivering the envisioned development successes to Egypt, this would not necessarily mean the end of his presidency. Former President Mubarak (1981—2011) was also unable to improve the socio-economic situation in the country. Nevertheless, he was able to remain in power for 30 years. This was mainly due to massive external support from Western states and successful elite management.

President Sisi can also count on extensive foreign support. Saudi Arabia, the United Arab Emirates, and Kuwait provided financial and commodity aid amounting to more than $12 billion immediately after the military coup in 2013. The Europeans were extremely willing to support the regime, particularly in view of the increase in irregular migration flows in 2015/16. They supported Egypt's efforts to obtain a $12 billion loan from the International Monetary Fund (IMF) with additional financial assistance, without demanding an improvement in human rights or governance. It is questionable, however, whether the Gulf States and Europeans can, and will, continue to meet the rising financial needs, which will remain substantial, especially after the IMF program expires at the end of 2019. Scenario 2 could therefore become extremely costly for donors. For example, with $7.1 billion, Germany was already the largest creditor behind international organizations ($28.4 billion) and the Gulf monarchies ($23.1 billion) in mid-2018.

President Sisi's elite management differs markedly from that of Mubarak. He has not shown any effort, for example, to form a loyal ruling party as a foundation for his power, along the lines of the National Democratic Party ruling under Mubarak. Rather, Sisi has — so far successfully — built on his close relations with the security apparatus and an extremely authoritarian style of military leadership. In view of the spread of poverty and a lack of social justice, he is likely to use much more force in this scenario in the future to secure his own power.

Scenario 3 – "Sisi Fails"

A lack of development progress and increasing repression could very quickly lead to the end of the regime. Further cuts in spending are likely to be met with mass protests, especially by members of the middle class, who have already suffered considerably from the government's austerity measures in recent years. Another conceivable trigger could be an acute crisis in the provision of basic services, such as water, or due to the crumbling transport infrastructure. Successful protests in other countries in the region, such as Algeria and Sudan, could further intensify the dynamics of protest. An excessive use of force by the police might contain individual demonstrations for the time being but could also have an escalating effect.

Resistance from parts of the elite, and even the security apparatus, is also a conceivable threat to the Sisi regime. The military, the Interior Ministry, and the secret services are all profiteers of the president's current policies. However, Sisi has also made enemies by depriving top officials of privileges — for example, requiring presidential approval for trips abroad — and above all by constantly rotating personnel. The imprisonment of former state officials with their own political ambitions — including the former chief of staff Sami Anan

and the former head of the Central Auditing Organization Hisham Genena — is likely to cause additional bitterness among segments of the elite.

As abstract as this scenario may seem from today's perspective, developments in 2011 have shown that protest dynamics and elite conflicts can hardly be predicted.

Conclusion

Although the scenario of a development dictatorship appears less plausible, the occurrence of one of the other two scenarios is much more likely. Both are associated with high risks and costs, for Germany and the European Union (EU). The central prerequisite for the "Mubarak 2.0" scenario would be permanent, substantial financial assistance, which would primarily be to the detriment of European national budgets, as well as the acceptance of a further deterioration in the human rights situation. In this way, socio-economic decline could, at best, be slowed. Migration pressure and radicalization tendencies among young Egyptians are likely to increase.

The scenario of regime collapse offers an opportunity for political reform. However, the current militarization of the regime and the associated disabling of all independent civil society stand in the way of these reforms, as does the dramatic deterioration in the living conditions of a large segment of the population. Unlike 2011, the collapse could therefore be much more eruptive and less peaceful. A possible consequence could be the collapse of state structures in the most populous country in the European neighborhood.

Against this backdrop, Germany and the EU should press more than before for the protection of an independent civil society as well as for measures to be taken for sustainable and inclusive economic development in Egypt. This not only includes pointing out to the Sisi regime the incompatibility of the planned constitutional reform with the "good governance" principles applicable to development cooperation. Equally important is clear criticism — for example at the UN Human Rights Council — of the continuing infringements on human and civil rights. Above all, in the foreseeable renegotiations on further budgetary assistance, conditions should be imposed that, unlike in the past, are not aimed solely at austerity, but also at improving the human and civil rights situation as well as good governance. When it comes to project aid, much more attention should be paid to the implementation of the "do no harm" principle to prevent aid from being used for the further expansion of repressive power structures. Finally, the German government should expand contacts with representatives of the exiled Egyptian opposition, including Islamist actors. Thereby, it could support mediation processes between different social groups in the event of regime collapse.

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