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## Neoliberal Egypt: The hijacked revolution

The country's new leaders seem to be planning the same old economic policies which led to increased poverty.

Jason Hickel  
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Nearly a third of Egyptians live below the poverty line [GALLO/GETTY]  
London, United Kingdom - The ouster of Hosni Mubarak

**London, United Kingdom** - The ouster of Hosni Mubarak in February 2011 set off a spate of political reforms in Egypt culminating in the recent parliamentary elections and the ascent of the

Muslim Brotherhood's Freedom and Justice Party. Yet the meaning of the 2011 "revolution" remains far from decided.

When Egyptians rose up last year, it was not only against tyranny and political repression, but also **against** the neoliberal economic order - designed by the United States - that has generated hunger, poverty and inequality in Egypt since the 1980s. For most people, these latter concerns were at least as pressing as the former, though they have been completely obscured in the prevailing media discourse. Now the tragedy is that, when it comes to economic policy, Egypt's new rulers seem set to reproduce more of the same.

Khairat el-Shater - multimillionaire businessman, deputy chairman of the Muslim Brotherhood, and likely candidate for prime minister of the coalition government - has been forthright about **his economic ideology**. He promotes a version of Islam that explicitly valorises free-market capitalism. He has clamped down on dissent among those within the Brotherhood who hold different ideas about how the economy should be run. El-Shater's partner, Hassan Malek, the Brotherhood's next most influential businessmen, has advocated for policies along similar lines.

While hoping to train a higher-skilled workforce and build the country's manufacturing base for import substitution (two concessions to the economic left within the Brotherhood), el-Shater has **openly espoused** free markets, deregulation and other policies geared toward attracting foreign direct investment - the pillars of neoliberal economics.

The Brotherhood's new position on economic policy has delighted the United States. US lawmakers have pushed hard since the beginning of the uprising to foster a form of political Islam compatible with US economic interests and the ideology of the Washington Consensus. When Senators John Kerry and John McCain **opened the Egyptian Stock Exchange** in a made-for-TV moment last June, it was clear to all that the US would seek - in a characteristically cynical move - to hijack the cries for freedom echoing from Tahrir Square in order to promote the "freedom" of deregulated market capitalism.

As far as the US is concerned, it doesn't much matter if the people in power are tyrannical dictators or political Islamists, so long as they align with US economic policy. This was certainly true under Mubarak, who, with the help of the US, implemented a battery of macroeconomic reforms that shifted wealth and power to the upper socioeconomic strata of the population.

The consequences of this were devastating: the privatisation of public services enriched well-connected cronies while putting education and healthcare out of reach for many, the elimination of subsidies and tariffs undermined local businesses and drove up unemployment rates, labour standards were systematically eviscerated, unions were violently repressed and the tax burden was shifted from the rich to the poor.

### **USAid and economic policy in Egypt**

Neoliberalism first came to Egypt as part of a longstanding alliance between Mubarak and the US. After Mubarak assumed power in 1981, the US granted more than **\$60bn** in aid to Egypt.

Analysts commonly point out that most of this money was transferred in the form of military aid - \$1.3bn per year since the Camp David Accords in 1979 - designed to help Egypt purchase American equipment like tanks and teargas canisters to suppress internal dissent (incidentally, the US has continued to **ship arms** to Egypt, enabling further violence against peaceful protestors by the same military that ruled under Mubarak).

But, perhaps even more importantly, the US has also dispensed an average of \$815m per year in economic assistance, distributed by the US Agency for International Development (USAid) with the key purpose of promoting "market freedom". As of now, this flow of aid is **set to continue** into the post-Mubarak era.

Aid from the US always comes with strings attached. Technically, economic aid to Mubarak's regime was supposed to support **initiatives** that "reduce poverty", "create jobs" and "promote regional stability". But a closer look shows that the overriding policy objective was to pry open the Egyptian economy for the benefit of American and other foreign corporations with little regard for the well-being of the Egyptian people.

Neoliberal policies were solidified in 1991 - a watershed moment in Egypt's economic history - when Mubarak signed structural adjustment agreements with the International Monetary Fund and the World Bank, which were reinforced the following year by USAid's Sector Policy Reform Programme in a move that brought the total amount of disbursements for economic liberalisation to **\$2.3bn**.

The US has even assumed power over key political appointments in Egypt. In 1994, USAid underwrote the US-Egypt Partnership for Economic Growth and Development - led by the then vice-president, Al Gore - which sought to reshuffle the Egyptian Cabinet and appoint a new prime minister, Kamal el-Ganzouri, who would endorse a neoliberal vision of private, export-oriented growth (notably, el-Ganzouri was re-appointed by the Supreme Council of the Armed Forces, the military junta that took over after Mubarak). When the proposed new leaders assumed power in 1996, USAid praised them in a **statement to Congress**, which read: "The new Cabinet is committed to liberalising the economy by deregulating the trade sector, increasing competition in the financial sector and accelerating the pace of privatisation".

While structural adjustment and market liberalisation has been great for foreign corporations and wealthy Egyptians, it has devastated Egypt's economy: average per capita GDP growth has plummeted from 4.1 per cent prior to 1990 to 2.7 per cent during the neoliberal era. Nearly a third of all Egyptians now live below the poverty line.

As Cambridge economist **Ha-Joon Chang** has shown, this trend parallels that of developing countries in general, which have seen growth rates halved since the 1980s as a result of neoliberal policy. Despite this glaring evidence, Hassan Malek, speaking for the Muslim Brotherhood, recently said that Mubarak's free-market policies were **on the right track**.

**Give and take**

To push along the process of neoliberal reform, USAid has given **\$200 million each year** to the Egyptian government in handouts to encourage "continuing reduction in tariffs" and the **privatisation** of 314 government-owned companies. Furthermore, USAid devotes some **25 per cent of its budget** to a special Commodity Import Programme designed to help Egypt buy American-made goods and reinforce bilateral trade.

Programmes like these have proven to be devastating for many Egyptians: they tend to undercut local manufactures, encourage foreign monopolies, concentrate wealth in the hands of political cronies and ultimately contribute to unemployment, which (depending on the measure used) has risen to 25 per cent in recent years and reaches as high as 30 per cent among the young.

Some of the most extreme neoliberal measures have been directed at Egypt's agriculture sector. As a condition for development aid, USAid has required Egypt to shift its formidable agricultural capacity *away* from staple foods and toward export crops such as cotton, grapes and strawberries in order to generate foreign currency to pay off its burgeoning debt to the US.

According to Columbia University professor, **Timothy Mitchell**, USAid first began to facilitate this process in the 1980s through its Agricultural Mechanisation Project, which was designed to develop the productive capacity of Egyptian export agriculture by financing the purchase of American machinery.

In the end - despite USAid's projections to the contrary - the programme did very little to help common farmers. Instead, it disproportionately benefitted the few large landholders who could afford to take out the loans, while slashing the demand for agricultural labour and causing rural wages to plummet.

To propel the transformation to export-led agriculture, USAid forced the Egyptian government to heavily tax the production of staples by local farmers and to **eliminate subsidies** on essential consumer goods like sugar, cooking oil and dairy products in order to make room for competition from American and other foreign companies.

To ameliorate the resulting food gap, USAid's so-called "Food for Peace" programme provided billions of dollars of loans for Egypt to import subsidised grain from the US, which only further undercut local farmers. The result of all of this "agricultural reform" was an unprecedented spike in food prices which made livelihoods increasingly precarious and forced much of the workforce to accept degrading and dehumanising labour conditions. The widespread social frustrations that resulted from these reforms helped spark the 2011 uprising.

Similar forms of neoliberal shock therapy been applied to the public services sector. USAid has aggressively pushed for so-called "cost-recovery" mechanisms, a euphemism for transforming public healthcare and education into private, fee-based institutions. Indeed, USAid typically spends nearly half of its health and education budgets - more than \$100-million per year - on privatisation measures.

This has been fantastic for multinational medical companies, as it translates into greater dependence on imported drugs and equipment. For Egyptians, however, privatisation means

having to pay large sums on healthcare and education. Mitchell shows that **such expenditures** - as a percentage of household income - now rank at the second and third highest in the world, respectively.

To make matters worse, Mitchell also demonstrates that USAid's cuts to public service budgets have forced the wage rates of workers in hospitals and schools below the rate of inflation, causing deep income deficits among working-class households.

These destructive, pro-corporate policies get obscured by the rhetoric that USAid deploys. According to its website, USAid claims to have helped Egypt become a "success story in economic development", citing "improvements" in the quality of education and - amazingly - "the administration of justice" (a shocking contradiction, given that the US actively funded Mubarak's repressive military apparatus and its widespread human rights abuses).

Egypt's vigorous market liberalisation programme has attracted foreign investment and boosted GDP growth, but these gains have only benefited the very rich, while the country's bottom quintiles have seen their portion of the economic pie shrink significantly over the same period.

### **Lessons from the past**

As the Freedom and Justice Party continue to **debate economic policy**, they would do well to keep this history in mind. By any measure that takes the well-being of everyday Egyptian's seriously, neoliberal development policy in Egypt has been an abject failure: according to the UN Human Development Index, Egypt's ranking has plunged to 123rd, which puts it just below Guatemala, and tenth place in the Arab Middle East, just one notch above Yemen. For the vast majority of people, it is clear that there is nothing "freeing" about "market freedom".

The protesters who continued to occupy Tahrir Square well after Mubarak's departure know this all too well, as do **the workers** who began protesting Mubarak's economic policies as early as 2006 during the first wave of labour strikes - the precedent to the 2011 uprising. Theirs has never been merely a struggle for democracy, but for an economic order designed to protect the well-being of every Egyptian - a call for the radical rethinking of neoliberal capitalism.

They realise that, if left unchallenged, the new coalition government will adhere to the neoliberal economic principles laid out by Mubarak and the United States, even if they do choose to **reject US aid** and instate a few token concessions (such as welfare arrangements and the first ever **minimum wage** for private companies). They can see, in short, that the revolution has been hijacked.