



Egypt & the E.U. Normalization or Crisis?

Dr. Nathalie Tocci
Deputy Director, IAI

Arab Forum for Alternatives (A.F.A)

AI-Messaha St., Fourth Floor, App. 4, Doki, Giza, Egypt ,5 :Address

Website: www.afaegypt.org

Mail: info@afaegypt.org

Telefax: +202-37629937

Twitter: AFAalternatives

Facebook : <https://www.facebook.com/AFAalternatives>



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Dr. Nathalie Tocci
Deputy Director, IAI

Editor, [The International Spectator](#)

Istituto Affari Internazionali (IAI)

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Egypt heading towards normalization

The Egyptian regime is determined to signal its credibility to the West. Its government, specifically as far as economic policy is concerned, is composed of the best technocrats the country can boast. The paying off of the 25% in arrears, owed to predominantly European, international energy companies, will commence by the end of this year. This is a meagre start, given that the 25% would merely revert the situation to what it was in July 2013 rather than improve beyond it. However, it does signal the Egyptian regime's credibility, a gradually normalizing domestic situation, and a commitment to pursue close ties to the West. Likewise, the country will pursue negotiations with the IMF and these are likely to be fruitful. The IMF loan is relatively moderate – \$50bn over four years – but in the cash-strapped Egyptian economy, it is nonetheless important.

The government will also do its utmost to reassert order on Egyptian streets, a priority amongst a population that has lived through three years of turmoil with precious, little political or economic gains. Defence Minister Abdel Fattah Al-Sisi may have the ability to do this. He has been a key figure within the military for decades and his loyalty to the institution remains as unquestioned as his operational hold over it. Rumours of an alleged alliance with the Brotherhood leading to the military's apprehension of him seem farfetched.

Short-term normalization... long-term crisis?

In order to pull Egypt from the economic brink, much more needs to be done. Serious economic reforms, including the cutting of energy subsidies (10% GDP), job creation and monumental investments in infrastructure, require a strong political base. A serious restructuring of the economy, including the imposition of temporary hardship, cannot be undertaken without a solid and reconstituted social contract between the authorities and its citizens.

Today, the situation appears to be edging towards stability. The Muslim Brotherhood's comeback capacity seems to have been neutralized for the time being. Liberals have accepted the military regime as the only viable option. The youth are in a state of confusion. The judiciary is irredeemably politicized. Al-Sisi enjoys pop-star status across the country. As a (genuinely) devout man, he may also have the ability to appeal to the pious masses, who, having been deprived of a political outlet for their conservative inclinations (with the wipe-out of the Muslim Brotherhood), may be tempted by al-Sisi's sirens.

What may very well happen in this context is the reconstitution of the system, one that only slightly differs from the pre-2011 regime. Unlike the

reestablishment of a single “governing party” à la National Democratic Party, the situation is likely to veer towards a presidential system coupled with a weak and fragmented parliament (possibly including some Islamist “window dressing” through the eventual engagement of al-Wasat, al-Nour and others), in which the president would exercise control through a “divide and rule” approach. The standing question is whether the presidential candidate will be a military man – al-Sisi himself who may find the popular call to run for the post irresistible– or a (weak) civilian state figure with close ties to the military, who would allow the latter to retain the reins of power through the National Defence Council (reminiscent of post-1980 Turkey). In the short-term this setup may just work. Such a regime will not usher in a new era of democratization. Nor will it tackle deep-rooted economic issues. However, it may deliver order and piecemeal reform. A few years could be bought by a careful management of the system. Beyond that, a crisis continues to loom at large.

In a country with an overinflated bureaucracy, weak political parties, a politicized judiciary, a polarized society, and an all-powerful military, the prospects for dialogue, consensus building and ultimately democracy are bleak. The constitutional process, currently in the hands of the committee of 50, is emblematic of these deficiencies. During the Morsi era, the period leading up to the drafting of the Constitution, despite it eventually being decided upon overnight solely by the Brotherhood, was rife with public debate; today that debate seems largely mooted.

With the prospects of genuine political change dimming, the appeal of rents amongst technocrats and the military may simply prove be too strong. In order to tackle deep-seated economic problems, some military toes would need to be trodden and, without a genuine rebalancing of civil-military relations, that seems highly unlikely. Aside from the Nasserite regime, no other government has succeeded in this regard. There is little indication that history would not repeat itself. The conflict between the haves and the have-nots would reignite and current palliatives such as energy subsidies and Gulf assistance can at best freeze the situation in the short-term, at worst accelerate the crisis further.

This matter is coupled with the question of political Islam, making the situation even more complex. The Muslim Brotherhood is currently under cover and will not be playing the political game anytime soon. Not only is it barred from the political arena, but any additional failure would only serve to humiliate them further. Civilians, at face value, admit that the Brotherhood ought to be reintegrated into the political system. But they caveat this by arguing that the MB could only be allowed to participate if they accepted the constitutional and legal principles of the game; norms previously set by a decision-making process that they have been excluded from. Furthermore, the Brotherhood has

always been (justly) criticized for having always remained an underground organization; Morsi was the spokesman of an unelected, and sometimes unseen, circle of Brotherhood leaders. The new constitution will likely ban all similar “secret organizations” from political activity. Yet the realization that the re-banning of the Brotherhood will only continue to push it underground seems to go unnoticed.

The United States and Europe: the parting of ways between security and economics?

Washington is likely to re-establish a strong US-Egyptian security axis. The US Secretary of State’s silence about Morsi, during his visit a day before the Brotherhood trial no less, could not have more deafening. The US needs a stable Egypt and a strong Egyptian military to assist it in providing security to Israel, retaining the status quo in the region and curbing instability in both Sudan and North Africa. The Department of Defence increasingly sees in al-Sisi a man with the ability to control its military and deep state. In terms of security, al-Sisi is viewed as a reliable ally with the capacity to deliver. He holds the promise of rehabilitating the role that the United States had carved out for Egypt in 1979 and which, following Sadat’s death, was lost due to Mubarak’s brittle hold over the security establishment and the latter’s ensuing stagnation. US military assistance is likely to resume and be directed towards counter-terrorism, border security, military training, and weapons collection if and as the situation normalizes.

The United States does not have vital interests in the Egyptian economy. American companies, notably energy companies, have already pulled out from Egypt a few years ago. Hence, the deep economic reforms the country so desperately requires to avert a structural crisis, while seen as highly desirable in Washington, are not considered vital. Since the export of arms and the combating of domestic terrorism in Egypt does not require any political transformation or deep-rooted socio-economic reform taking place, the path seems set for a reconstituted US-Egyptian security relationship. An eventual rapprochement with Iran does not necessarily put the spanner in the wheels of this process. If carefully managed, the US-Iranian rapprochement – likely to remain at best circumscribed – could take place on a parallel plane alongside a strengthened US-Egyptian-Saudi security relationship.

Europe’s stance differs, not only because it vocally criticized Morsi’s overthrow and, along with the US, the violent crackdown of the Muslim Brotherhood that followed but also because of European companies’ (specifically energy companies) unparalleled, vested interest in the Egypt’s economy. And as noted above, it is difficult to imagine Egypt’s comprehensive socio-economic reforms without an accompanying political transformation. The illusion that economic

reform could precede and induce political transformation was a long-held European belief that the Arab uprisings have definitively refuted. Economic and political change can only take place hand in hand.

But what is to be done? The space for manoeuver is extremely limited. Egyptians are fatigued from revolts and revolutions. Al-Sisi enjoys pop-star status in the country. In a context in which all viable (Islamist) opponents are in jail, were al-Sisi to stand for presidential elections, he would win by a landslide. Concurrently, the EU's leverage remains limited, with EU assistance paling in insignificance to US (military) assistance and Saudi funds.

In a context in which neither the domestic nor the broader international environment is conducive to a transformations agenda, as the dust settles, all the EU can do is to work with the already existing framework. A pursuit of security or economic matters, which can and do have broader governance implications, can facilitate the Union to put its foot in the door and marginally eek the door open from there. This agenda would mean emphasizing the rule of law components of economic cooperation projects. This is not to say that more obviously political dossiers should be avoided. It is important, if not essential, for European leaders visiting Egypt to insist upon meeting jailed Brotherhood leaders, encourage reconciliation, and propose election monitoring of the impending parliamentary and presidential elections. Doing so is also vital for the external identity the EU seeks to project. But in all honesty, it is unlikely that straight-out democratization policies will bear visible fruits. In the short-term, all that Europe can realistically hope to achieve is to work to support competent technocrats in what remains from Egypt's betrayed revolution.