

AFRICA RISK CONSULTING

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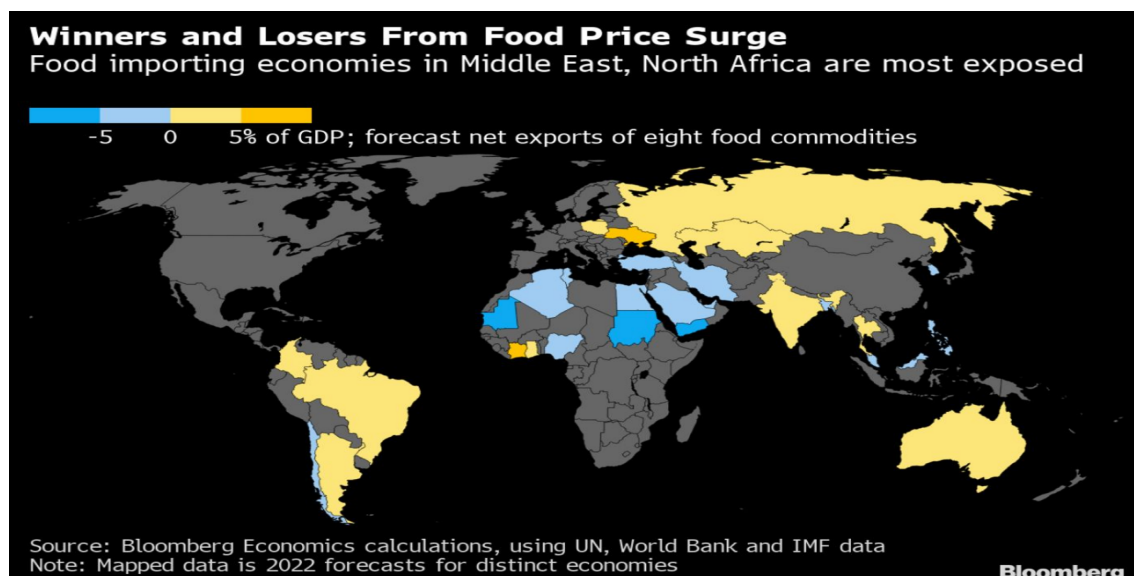
Egypt Summary 17 January 2022

United Nations Food and Agriculture World Food Price indices show that food prices in Egypt have jumped back to where they were in 2011. The Middle East Democracy Report warns Egypt's economic reforms are superficial and the country is at risk of a Lebanese-style economic crash. Despite the reduced potency of the Omicron variant, Egypt is still heavily impacted by Covid-19 as administration of the third dose of Covid-19 vaccines begins.

Egypt among nations vulnerable to global surges in food prices

Data from the **United Nations Food and Agriculture World Food Price Index** indicate that food prices have reverted to 2011 levels; a time when the **Middle East** saw a series of popular uprisings that collectively came to be known as the **Arab Spring**.¹ There is growing concern that higher food prices could compound current unrest in the Middle East and **North Africa**.²

One of the sources of rising food prices is **Covid-19**-related demand, which has had a major impact on food inflation, as more people choose to eat at home rather than go out to restaurants. **Egypt**, which produces only about one-third of the food it consumes, and frequently imports large volumes of wheat, is especially vulnerable to increased prices. Moreover, Egypt stands as the Arab world's most populous nation in which around 30% of its 104-million-strong population lives below the poverty line.³ Alongside Egypt, **Sudan, Yemen, Lebanon** and **Tunisia** are the most exposed given their imports of wheat and sugar.



Amid surging food costs, President **Abdel Fattah al-Sisi** (2014-present) announced on 23 December that new subsidy cards for basic goods will not cover more than two people, while newly-married couples should no longer expect the state to feed their children.⁴ The comments come after the

¹ United Nations Food and Agriculture World Food Price Index

² Bloomberg Economics, 13 Jan 2022.

³ Bloomberg Economics, 13 Jan 2022.

⁴ Al Masry Al Youm, 23 Dec 2021.

president announced an increase in the price of bread, revisiting the issue for the first time since 1977 when then president **Anwar Sadat** (1970-1981) reversed a planned price increase in the face of nationwide riots. Commenting on the need to further curb subsidies, which have been a major part of the government's economic reform agenda since 2016, Sisi said:

"This culture has formed in people's minds, and it is only in our country that people expect to buy things for less than their value, and get services for less than their value, and to have children and (expect) someone else to feed them."⁵

President Sisi said the decision would not affect the holders of cards issued in the past, but that any new cards would only cover two individuals. He gave no indication of when the change would take effect. Subsidy card beneficiaries have previously been able to routinely add individuals if their family grew, for example due to the birth of a child. In 2017, the government capped the number of individuals that could be added to the card to four. Under the subsidy programme the government provides staple items such as bread, rice and sugar to more than 60 million citizens.⁶

Military economy expert publishes scathing report on government reforms

A report released by **The Middle East Project for Democracy** on 7 January gives a scathing critique of the government's economic reform policies instituted in the aftermath of bailout loans awarded by the **International Monetary Fund (IMF)** in 2016. In the report, **King's College (London, UK)** professor **Robert Springborg**, who has spent decades examining Egypt's parallel military economy, draws comparisons between Lebanon and Egypt, suggesting that Egypt's allies should take corrective steps before there is an economic crash similar to that in Lebanon, due in part to the country's ongoing production issues. Currently Egypt's GDP per capita is between \$3,000 and \$4,000, ranking it 135th out of 213 countries.⁷ Springborg writes:

"Egypt [...] is neither a rentier state nor a successful mercantile one. Its exports of all goods and services are chronically insufficient to generate a balance of trade surplus. Over the past decade, its annual trade deficit has bounced between \$28 and \$44 billion."⁸

Springborg goes on to question the military's domination of numerous profitable private sector areas including fish farms, gold mining firms and construction companies, and draws attention to recent attacks on private sector businessmen such as **Juhayna Food Industries** chairman **Safwan Thabet**, and the jailing of Thabet's son and successor as CEO, **Seif Thabet**, both for alleged connections to the **Muslim Brotherhood**. The detention of the family members is widely known in Egypt as being a politically motivated attempt for the government to gain control of one of the country's most successful beverage companies.

Egypt's rank on **United States (US)**-based think tank **Heritage Foundation's Economic Freedom Index** languishes at 130 out of 178 countries.⁹ Springborg compares several of President Sisi's large-scale mega-projects to those undertaken by dictators such as former **Soviet Union** premier **Joseph Stalin** (1924-1953) and former **German** leader **Adolf Hitler** (1933-1945) as vanity projects, rather than government initiatives that hold economic value for citizens. Springborg cites the \$58 billion new administrative capital outside **Cairo**; weapons acquisitions that have placed Egypt among the world's top five arms purchasers; a \$25-billion nuclear reactor to produce power in a country with an electricity surplus; an \$8-billion expansion of **Suez Canal** capacity that has yet to generate a noticeable increase in transit dues, rising to only to \$5.8 billion in 2020 from \$5.6 billion in 2017; and several of **Africa's** tallest buildings:

"In all these cases, decorating the state with glitzy accoutrements is intended to elevate the state and its ruler above citizens and their needs. Lacking charisma or democratic legitimacy, al-Sisi

⁵ Al Masry Al Youm, 23 Dec 2021.

⁶ Al Masry Al Youm, 23 Dec 2021.

⁷ Project for Middle East Democracy, 7 Jan 2022

⁸ Project for Middle East Democracy, 7 Jan 2022

⁹ Project for Middle East Democracy, 7 Jan 2022

has neutered political institutions such as the parliament, local councils, and the once semi-independent media, choosing to rely on the 'wow' factor of mega-projects and weapons in the absence of other sources of legitimacy."¹⁰

Critics within private enterprise environments continue to complain, particularly about the impact of military businesses given the unfair competitive advantage they hold. That the military has also now come to invest in almost all industries has made the situation worse, with competition for business at an all-time low.

Covid-19 update

Egypt has reported a total of 398,879 cases of Covid-19 in its population of 104 million since the **World Health Organization (WHO)** declared the pandemic on 11 March 2020, with a total of 22,123 Covid-19-related deaths.¹¹ On 16 January, the health ministry reported 1,101 new coronavirus cases and 26 deaths. The ministry also announced receiving three million doses of the US-manufactured **Pfizer** coronavirus vaccine on 15 January, provided by the US. Egypt has so far received 119.3 million doses of various coronavirus vaccines and to date has administered 55.7 million doses.¹² Vaccinations of a third dose of Covid-19 vaccine began on 21 December.¹³

The government announced on 14 January that it has begun training doctors to use new drugs to treat coronavirus, although it did not elaborate on which drugs it will use. The country also announced earlier in January that it has signed contracts to receive two drugs approved by the US and **European** drug authorities to treat coronavirus patients.

Planner

Feb 2022 **Cairo (Egypt)** *Enterprise*. Egypt-based **Hassan Allam Construction's** new construction firm established with **Russia's Titan-2** to handle construction work on the Dabaa nuclear power plant begins its operations.

Chronology

16 Jan 2022 **Cairo (Egypt)** *Al Ahram*. Egypt's **Suez Canal** revenues are expected to hit \$7 billion in 2022 versus \$6.3 billion in 2021;

16 Jan 2022 **Cairo (Egypt)** *Al Mal*. Egypt receives 3 million doses of **Pfizer** coronavirus vaccine, provided by the **United States**, through **COVAX** in cooperation with **GAVI Alliance** (formerly the **Global Alliance for Vaccines and Immunization**);

15 Jan 2022 **Cairo (Egypt)** *AP*. Egyptian authorities announce the arrest of a prominent member of **United States**-designated terrorist group **Hasm**, after a **Turkey**-bound flight from **Sudan** that he was on made an emergency landing in Egypt;

11 Jan 2022 **Cairo (Egypt)** *Times of Israel*. President **Abdel Fattah al-Sisi** criticises **Europe's** handling of the migration crisis and its refusal to receive refugees arriving at its borders, saying his country has taken in millions of people who left their home countries;

8 Jan 2022 **Cairo (Egypt)** *Reuters*. Egypt frees activist **Ramy Shaath** after he abandons his nationality;

7 Jan 2022 **Cairo (Egypt)** *AP*. The **United States (US) Federal Bureau of Investigation (FBI)** has arrested dual national and **New York (US)** resident **Pierre Girgis** on charges that he worked as a secret and unregistered agent of the **Egyptian** government, including by sharing information with US law enforcement officials about political opponents of President **Abdel Fattah el-Sisi**;

¹⁰ Project for Middle East Democracy, 7 Jan 2022

¹¹ Press release, 16 Jan 2022.

¹² Press release, 16 Jan 2022.

¹³ Al Mal, 17 Jan 2022.

30 Dec 2021 **Cairo (Egypt)** *BBC*. **France**-based car manufacturer **Citroën** withdraws a televised advertisement featuring popular music star **Amr Diab** following social media backlash and accusations that the advert normalized sexual harassment;

30 Dec 2021 **Cairo (Egypt)** *Middle East Eye*. **Hisham al-Qadi Hanafi**, former member of the judiciary and member of parliament representing the **Muslim Brotherhood**, dies in prison; his family accuse the prison of medical negligence;

29 Dec 2021 **Cairo (Egypt)** *Reuters*. A cabinet meeting statement announces the government's intention to sell its shares in power plants built in partnership with **Germany**-based **Siemens**;

29 Dec 2021 **Cairo (Egypt)** *Xinhua*. Egypt-based **Geyushi Motors** and **China**-based engineering firm **Weichai Group** sign cooperation deals to promote green transport in Egypt;

28 Dec 2021 **Cairo (Egypt)** *Egypt State Information Service*. Minister for electricity and renewable energy **Mohammed Shaker** unveils a new national plan for electrification, declaring 2022 to be "*the year of green hydrogen*";

23 Dec 2021 **Cairo (Egypt)** *Reuters*. Prime minister **Mostafa Madbouli** says Egypt's bill for subsidising fuel fell to 17 billion Egyptian pounds (\$1.09 billion) from 128 billion pounds four years ago;

17 Dec 2021 **Cairo (Egypt)** *AMAY*. Egypt records its first cases of new Covid-19 variant Omicron;

16 Dec 2021 **Cairo (Egypt)** *Reuters*. **Canada**-based internet security watchdog **Citizen Lab** says two separate pieces of government-operated spyware hacked the phone of prominent Egyptian opposition figure in exile **Ayman Noor**;

About Africa Risk Consulting:

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