



## Egypt after the presidential election

James Moran

*Following the re-election of President Abdel Fatah Al-Sisi, both the Egyptian authorities and the EU must guard, once again, against giving a free pass on 'universal values' in the name of stability.*

As you leave central Cairo heading west on the Giza highway, there is a billboard, strategically placed for all to see with a picture of a rather stern-looking President Abdel Fatah Al-Sisi below the slogan, "Fighting terrorism is a human right". It sums up the authorities' nervy reaction to anyone, especially foreigners – the slogan is in English – who criticise the current political climate for being overly oppressive and counterproductive.

As he begins his second term, Sisi can claim some success in restoring security in the country, at least outside of the long-running conflict in Northern Sinai and Egypt's 'wild west' which is affected sporadically by the conflict across the border in Libya. Terrorist attacks in the Nile Valley and Delta, home to the vast majority of Egypt's nearly 100 million people, have been curbed significantly over the past two years, and the cities certainly feel safer. Most Egyptians are grateful for those improvements, and Sisi's popularity, while down from the heights of a few years ago, remains strong.

That said, many Egyptians may no longer be ready to give him the sort of unqualified support he has enjoyed in the past: the election result gave some indication of this ambivalence, with a lower turnout (just over 40%) than in 2014 and a much higher number of spoiled ballots. And this in a situation in which there was no credible competition. Indeed, the authorities' overzealous efforts to block candidates who might have lent greater legitimacy to the vote, as well as the threat of fines for those who did not vote appear to have backfired. Heads may yet roll for these errors in judgement.

### The end of politics?

But these miscalculations also point to a deeper malaise in the authorities' political strategy, which seems stuck in a rut. The restoration of security and order was an understandable and generally popular priority during Sisi's first term, given the disorder that followed the 2011 revolution and its aftermath. But without movement toward greater political inclusion, it is

James Moran is Associate Senior Research Fellow in the Europe in the World research unit at CEPS.

CEPS Commentaries offer concise, policy-oriented insights into topical issues in European affairs. As an institution, CEPS takes no official position on questions of EU policy. The views expressed are attributable only to the author and not to any institution with which he is associated.

Available for free downloading from the CEPS website ([www.ceps.eu](http://www.ceps.eu)) • © CEPS 2018

unlikely to serve them well in the years ahead, especially if the economy fails to produce the goods for the masses (see below). Added to that, the ever-growing dependence on the President himself, as shown by the growing moves to do away with the constitutional two-term limit on presidential candidacies, is hardly a recipe for long-term stability.

Moreover, Egypt's fledgling political parties, which – other than the pro-establishment Wafd – have suffered at the hands of an unfriendly electoral system and in some cases from severe restrictions on their activity, remain unable to provide much organised secular opposition. The Muslim Brotherhood has probably never been in worse condition, with its leadership in jail or exile and its ranks riven by deep splits over strategy. And civil society continues to struggle in the face of ever-more repressive legislation such as the new NGO law, although one should not underestimate the energy and resilience of the young standard bearers of the revolution.

Local elections should take place later this year, and some argue that these could help to revive Egypt's rather moribund political life. But there are few signs of any easing up on restrictions, and as with the last two elections, it is likely that the security services will ensure that any organised opposition does not see the light of day.

### **Better economic times ahead?**

With politics largely sidelined for now, the main focus of attention for the coming period is likely to be the economy. Here, for the first time in a decade, the signs are promising. Thanks not least to the IMF programme, the fundamentals are looking healthier after two years of pain caused by the 2016-17 devaluation of the Egyptian pound. The currency has stabilised, foreign reserves are up, the introduction of VAT should help public sector finances, subsidy reform has brought some benefits for the poorer sections of society and the balance of payments, at least with its largest trading partner, the EU, has improved, albeit from a low level: Egypt's deficit fell by some 20% last year, largely thanks to better export performance. And while this may reflect a one-off gain from a fall in export prices in the wake of the devaluation, there are some signs that Egypt may be considering a more forward-looking trade policy, which would help competitiveness (see below)

Moreover, gas production from the giant Zhor field in the eastern Mediterranean has just begun: within a few years, it should be roughly equal to the country's total demand. Tourism is showing a gradual recovery, although it has a long way to go before it gets back to pre-revolution levels. That said, with prospects for world trade mixed, it remains to be seen whether the recently upgraded Suez Canal will produce greater revenues.

Egyptian expectations for better times during Sisi's second term have been rising in recent months, and the onus is now on his Government to deliver. A major overhaul of the Government's budget priorities will be needed, especially in education and health, which have long been low down the list of spending priorities. But even with the improved economic outlook, the fiscal deficit – still at 10% – and spending in other areas such as the military will constrain the room for manoeuvre.

## Whither EU-Egypt relations?

Against this background, and since the European Neighbourhood Policy (ENP) partnership priorities were agreed last July, there have been a couple of bright spots, notably in migration, where the dialogue has improved, and the first projects under the Valletta facility are just starting after long delays. Cooperation between the Egyptian Navy and the EU's operation Sophia is also on the up. And in trade, the first ministerial meeting in many years took place recently, with Egypt apparently showing some interest in talking about a deep and comprehensive free trade agreement (DCFTA), or at least aspects of it. If this is followed through (and it is still a big if for the moment), it might yet inject a much-needed positive dynamic and give a boost to incoming EU foreign direct investment, which the country badly needs if it is to get anywhere near its targets for job creation.

The EU Energy Commissioner visited Cairo in April, and there is growing European commercial and strategic interest in the sector, both through the Italian and British oil companies that have led on the Zhor gas field venture and, should Egypt decide to export major quantities of gas to Europe, in the possibility of diversifying EU supplies so as to reduce dependence on Russia.

Elsewhere, despite major efforts on the EU side, counter-terrorism cooperation with the EU institutions remains at a low level, with disagreements over equipment supply (the EU retains formal restrictions on supplies that could be used for internal oppression), human rights and the deployment of EU expert personnel. Unsurprisingly, it has also been hard to find common ground on support for civil society, although many EU-funded projects continue to operate in the country.

Development programmes under the ENP focus on help for the poorest and youth, and there is a major programme of infrastructure and energy investments using blending facilities (EU grants mixed with loans from the European Investment Bank and other EU development banks). Cooperation on Research and Innovation under Horizon 2020 has also been increasing rapidly, helped among other things by a welcome boost in the Government's own R&I budget.

Foreign policy coordination with Egypt remains an important dimension: Cairo is an essential element in brokering intra-Palestinian reconciliation, although the parties do not always see eye-to-eye on Libya, particularly on the role of General Khalifa Haftar, the military strongman in Libya's east, in any eventual solution. Egypt's relatively independent policy on Iran could also be of interest should there be an opportunity to spur Arab-Iranian reconciliation.

An area of ever-greater concern to Egypt is the Ethiopian grand renaissance dam, soon to begin operations, and its effects on Nile waters, on which almost all Egyptians depend. Cairo would probably welcome mediation from the EU, but Ethiopia, which holds most of the cards, has generally resisted internationalising the issue beyond technical aspects. Without a request from both sides, it is highly unlikely that the EU could become involved. But this deeply sensitive file warrants very close monitoring by Brussels, as it could yet threaten peace and security in the wider African region.

However, while official exchanges are on the rise, parliamentary relations are in the doldrums, not least because of human rights and civil society restrictions in general and the unresolved case involving the death of the Italian student Gulio Regeni.

All in all, given the respective common interests, there could thus be scope for improvements in the relationship in the period to come, although the EU needs to keep working on the revived trade dialogue and also on increasing the effectiveness of its social programmes by encouraging the Government to pay more attention to providing public services. Apart from anything else, it is well to remember that past neglect gave the Muslim Brotherhood an opportunity to deepen its roots in Egyptian society through its social programmes. Absent a real effort to create greater equity, it could, once it has regrouped, do so again.

But it is in the area of values that the greatest challenges persist. Apart from the presidential term limit mentioned above, two significant benchmarks are approaching: a judicial decision is expected soon on the ‘foreign funding’ case, in which three organisations (two American and one European organisation – the Konrad Adenauer Foundation) have appealed a previous conviction; and debate on the enabling provisions for the recently approved new NGO law, which is even more restrictive than its predecessor. Negative outcomes on either of these issues will have serious consequences for the EU’s support for civil society.

On these matters, particularly the latter two, where the European Union has a dog in the fight, both the EEAS and the member states, especially influential parties like France and Germany, which have been ramping up their arms trade in recent times, need to pay close attention. At the very least, Cairo should be reminded of the commitments it assumed in July 2017, in the EU Council-approved partnership priorities agreement for 2017-2020. These include umbrella language that the priorities aim to “guarantee long-term stability on both sides of the Mediterranean” and are “guided by a shared commitment to the universal values of democracy, the rule of law and the respect of human rights”.

If these commitments are forgotten, both sides are in danger of wandering down the same garden path that was taken in the decade prior to the revolution when a free pass on those ‘universal values’ in the name of stability was one of the reasons why we ended up with anything but that.