



The Brotherhood's Agenda, Cairo's Catastrophe

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It has been heralded as a humanitarian gesture and a sign of Arab leadership, but Qatar's decision last week to double its \$2.5 billion aid package to Egypt is also a telling indicator of the true economic state of affairs in post-revolutionary Egypt.

The prognosis is exceedingly grim. Two years after the ouster of long-serving strongman Hosni Mubarak, Egypt is in the throes of a full-blown economic crisis. Government reserves have dropped by more than half, plummeting from \$36 billion in 2011 to just \$15 billion today. That's enough to cover just three months of imports of vital commodities such as food and petroleum. GDP growth has slowed to under 2 percent, and the country's national currency, the Egyptian Pound, is in freefall. At the same time, unemployment has surged, now estimated at nearly 13 percent and rising. It's no wonder that Maher Hamoud of the English-language *Daily News Egypt* recently likened the country's economy to "a mud house in the rainy season."

These statistics are all the more tragic because they could have been avoided. The February 2011 ouster of Mubarak was followed by a pronounced fiscal downturn, leading many to conclude that the country's new, Muslim Brotherhood-dominated government—for all of its bluster to the contrary—wouldn't impose radical changes on the country's political direction. Instead, conventional wisdom held that the new powers-that-be in Cairo would, for both economic and political reasons, opt for a process of "creeping Islamization"—a slow, gradual changeover of the country's civilian bureaucracy and legislature which wouldn't rile international markets or spook jittery investors.

The conventional wisdom turned out to be wrong. In recent months, the Brotherhood has thrown caution to the wind and set about remaking the Egyptian state in its own image with a speed and ferocity that has surprised most onlookers.

In late November, in the wake of his public turn as peacemaker between Israel and Hamas, Egyptian president Mohammed Morsi made a significant power grab, issuing a presidential decree dramatically broadening his executive powers. Simultaneously, his government put forward a new draft constitution imbuing the country's Islamist-dominated parliament with greater powers, trimming the size of Egypt's Constitutional Court, and enshrining *sharia* as the law of the land. (The constitution was approved in a referendum the following month, and promptly signed into law by President Morsi). Since then Egypt has trended more authoritarian still, most recently via a draft law proposed by the Human Rights Committee of Egypt's Shura Council which, if adopted, will significantly limit the rights of ordinary Egyptians to engage in political protest.

This anti-democratic drift might not have spurred Egypt's economic ills, but it undoubtedly has made them worse. Tourism, the country's economic lifeblood, which withered following Mubarak's ouster in 2011, remains minimal as a result of widespread political and security concerns. The hotels in Egypt's famed tourist town of Luxor, for example, is now reportedly mostly empty. Foreign direct investment into the country has dwindled to "near zero," reports the *Egypt Independent*, as skittish investors seek greener pastures. And planned bailouts—chief among them a \$4.8 billion loan from the International Monetary Fund widely believed to be critical to Cairo's fiscal health—have stalled amid the political turmoil.

The cumulative effect is that Egypt is fast becoming a Middle Eastern version of Haiti: a country without meaningful tourism, minimal foreign investment, massive capital flight, and eventually an exodus of its best and brightest. That, of course, will inevitably become a crisis for Egypt's neighbors, who will be forced to shoulder the political and security burdens of its implosion. But most of all, it is a tragedy for Egyptians themselves, who, having once dreamed of greater political liberalism after Mubarak, have woken up to an economic nightmare presided over by the Muslim Brotherhood.