

22.12.11

>>> Menas Egypt Politics & Security

1.0. Executive Summary

- > The army has blamed unnamed hands for a "*systematic plan to destroy*" Egypt after five days of clashes with troops and security forces left more than 15 dead. Most of them, who include a senior Muslim cleric, had been shot.
- > Shocking pictures of a woman with her shirt over her head and revealing a blue bra as she was dragged and beaten by troops caused shame and outrage and provoked a mass demonstration by women.
- > The prime minister has called for a national dialogue.
- > Islamists are believed to have won the majority of votes and seats in the latest round of voting for the *People's Assembly*.
- > The gas pipeline in Sinai was blown up yet again.

2.0 Politics and Security

- > Egypt has been wracked by violence once again but this time the army has been in the firing line, and also in the line of media fire. Military police are blamed for many of the 15 deaths of demonstrators over five days outside the cabinet building. Many of the victims were shot in the head.
- > The military denied using excessive force. Major General **Adel Emara**, a member of the 24-man *Supreme Council of the Armed Forces (SCAF)* told a press conference that the military police were protecting government buildings housing the parliament and cabinet offices from the infiltrators' systematic assault on Friday 16th December, and that many of the demonstrators were paid by a third party to ignite violence and "*topple Egypt*".
- > He said, "*Using violence against rioters is a fake allegation circulated by the mass media. There is a methodical and prepared plot to topple the state, but Egypt has not and will never fall.*"

- > Emara showed videos of protesters hurling petrol bombs and trying to storm government buildings.
- > One building that was set alight was the Institute of Egypt, set up during Napoleon's invasion of Egypt from 1798-1801, with houses a priceless archive of manuscripts, many of which were destroyed.
- > Emara said his soldiers were "*heroes*" who used "*a high a degree of self-restraint.*"
- > His blaming of outside forces reveals the deep paranoia felt within the security establishment and the lack of understanding of the forces unleashed within Egypt by the revolution. His comments drew a withering tirade from Egypt's veteran opposition journalist, **Ibrahim Eissa**, editor of *Tahrir* newspaper. "*All of Egypt watched the soldiers hitting, attacking, urinating on, and shooting protesters. When the ruling military council clings to this lying nonsense, it means that either it considers us idiots or it considers itself a council of scarecrows who know nothing about what is happening in the country.*"
- > The protests escalated in reaction to what the protesters saw as a heavy handed crackdown. Some of the victims were young teenage boys. Another was a prominent sheikh, **Emad Effat**, a senior official of Egypt's *Dar al-Ifta*, a religious authority that issues Islamic fatwas (edicts). His wife told **Reuters** that Effat died from a gunshot wound. At his funeral, hundreds of mourners chanted "*Down with military rule.*"
- > In another reaction that provoked widespread derision, the recently appointed prime minister of a national salvation government, **Kamal al-Ganzouri**, 78, said the protesters were counter-revolutionaries. "*What is happening in the streets today is not a revolution; rather it is an attack on the revolution.*"
- > He later called for national dialogue to end the violent clashes - though he did not elaborate what he felt that should entail. He proposed a two month cooling off period to restore security. "*I say to everyone that we must forget the past and move forward in a dialogue with all shades so that Egypt can live in peace,*" he said. "*This is a salvation government that came to save the revolution,*" He expressed his view that the military was keen to hand over power to a civilian authority. "*They want to leave today not tomorrow.*"

- Most shocking was the video that went viral on the internet of soldiers dragging a young woman, her shirt pulled up over her head to reveal her blue bra, and being stamped on by booted troops. The picture has become one of those symbols of the resistance to authority, but it also goes beyond police brutality into the issue of honour and the treatment of woman in a socially and morally conservative country. Another photograph showed police with clubs raised over a cowering and sobbing elderly woman. This follows allegations of a campaign of sexual harassment against women protesters by both police and the army.
- On the following days, at least 10,000 women, many of them veiled, marched in and around Tahrir Square in protest.
- The images of the woman drew international condemnation. The **UN** Secretary General **Ban Ki-moon** said he was alarmed by images of the latest violence. **Navi Pillay**, the UN High Commissioner for Human Rights, called upon Egyptian military leaders to act swiftly to end human rights abuses. *"Egyptian authorities have to show a real commitment to human rights, including through the full eradication of ill-treatment ... and the respect of the rule of law and fundamental freedoms, particularly freedom of expression and freedom of assembly and association."*
- US Secretary of State **Hillary Clinton** voiced her disquiet. *"This systematic degradation of Egyptian women dishonours the revolution, disgraces the state and its uniform and is not worthy of a great people,"* she said. *"Women are being beaten and humiliated in the same streets where they risked their lives for the revolution only a few short months ago."*
- She was quickly told by Egypt's foreign minister **Mohamed Kamel Amr** not to interfere in Egyptian affairs. The public spat did nothing to change the underlying economic ties, with the renewal of the aid appropriation that began even before Egypt made peace with Israel.
- The US Congress has approved US\$1.3 billion aid to Egypt, the same level as in previous years, in the fiscal 2012 spending plan, albeit with some ties.
- Mrs Clinton is required to certify: that the Egyptian government is supporting the transition to a civilian government, including holding free and fair elections; and that it is meeting its obligations under the 1979 peace treaty with Israel.

- With the economy booming - or at least, the balance of payments account - in recent years, the US aid component in Egyptian finances had diminished. But with the government now facing a major crisis in foreign currency reserves, the aid appropriation is all the more welcome.
- Senator **Patrick Leahy**, Democratic chairman of the Senate foreign aid subcommittee, introduced another new provision that requires the State Department to report if tear gas supplied by the US was used to "*to repress peaceful, lawful, and organised dissent.*" His provision would not ban sales but would require the publication of their use.
- For its part, **Amnesty International** has called for global arms suppliers to halt the transfer of small arms, ammunition and other repressive equipment to the Egyptian military and security forces. "*It can no longer be considered acceptable to supply the Egyptian army with the types of weaponry, munitions and other equipment that are being used to help carry out the brutal acts we have seen used against protesters,*" said **Hassiba Hadj Sahraoui**, Amnesty's Deputy Director for the Middle East and North Africa.
- And **Human Rights Watch** also criticised the worsening crackdown. It noted an escalating pattern of physical attacks by Egyptian military and police officers against women and male protesters, journalists and activists in Cairo, some of which are sexual in nature, it said today. News reports and images of protesters in Cairo being stripped, beaten and dragged through the street in the past several days are just the latest incidents.
- Islamists appear to be consolidating their hold of the first freely elected parliament for over 80 years, after the second stage of polling. In Egypt's complicated voting system, run-off elections were held on 21st and 22nd December for the one third of seats selected by the old first-past-the-post system where individuals contest seats.
- After the first round of voting [for the second group of three groups of governorates], the ***Muslim Brotherhoods Freedom and Justice Party*** and the Salafist ***Al-Nour*** were believed to have won about two thirds of the votes. This is in line with their performance when voting took place in the first group of governorates. Coming a long way third and fourth were ***Al Wafd*** and the ***Egyptian Bloc***.

- Fears that an Islamist takeover would lead to a revision of Egypt's peace with Israel were allayed by comments made in a radio interview. **Yusri Hammad**, a spokesman for *Al-Nour*, in an unprecedented interview with Israel's army radio said that his party would respect the treaty. "*We are not against the (1979 peace) agreement but we say that Egypt is committed to the agreements signed by the previous governments. If there are some clauses that the people of Egypt want to change in the agreements, then these belong on the negotiating table.*"
- On 21st December, the Cairo Criminal Court upheld the decision of the *Illicit Gains Authority (IGA)* to freeze the assets of **Abu al-Wafa Rashwan**, the former personal secretary of ousted president **Hosni Mubarak**.
- The *IGA* had issued the decision in light of investigations conducted by the regulatory authorities revealing that Rashwan's wealth could not be explained by his legitimate sources of income. They found he owns a 100-acre plot in Abu Tesht Township in Qena, as well as apartments in Oboor, Heliopolis and Alexandria. He also owns a villa in Marina and 128 acres of agricultural land in Suez and Qena. On 18th September, the court upheld the freeze in a decision that was appealed by the defendant.
- The Home Office in the UK has refused to answer a question posed by *Al-Ahram* about whether Egypt has sought the extradition of senior Egyptian political figures under the Mubarak regime who fled to Britain for sanctuary. A number have been convicted in absentia.

3.0 Comment and Analysis

- Many Egyptians, particularly in the deep rural Delta and Upper Egypt, have lost whatever sympathy they might have had for the young, mainly liberal, activists who led the protests that brought down the regime of Hosni Mubarak. And so have the voters. The revolutionary parties have won only a tiny percentage of the votes. In this last round of elections, they risk not winning any seats. The protesters, who also include many hardcore Ultra football fans who have had years of violent confrontation with the security forces, are also held responsible by many for the continued disruption to the economy.
- The video footage of a half-naked woman being dragged away by troops, however, has provoked an altogether different reaction. One retired general insinuated that she got what she

deserved; what self-respecting woman would be demonstrating anyway? But many will also be seeing this as a violation of a code of honour by the army.

- The army knew when it took over in February that the longer it stayed, the greater the risk of making mistakes which would damage its reputation in the eyes of the Egyptian people. It said it wanted to leave as soon as it could. And yet it failed to act to do so; it is now paying the price.
- The army is right to say that Tahrir Square is not Egypt. But the army will, nonetheless, be judged by the way it behaves there.

4.0 Economy

- The government has announced it is knocking LE22 billion off the budget for the 2011-12 fiscal years as part of measures to rein in spiralling public spending.
- This did not stop **Moody's** cutting the government bond rating for the fourth time this year. Moody's Investors Service cut Egypt's rating one level to B2, five levels below investment grade, citing the government's deteriorating finances and the "*unsettled political situation.*"
- The downgrade will make it even more costly for Egypt to borrow to finance its bloated budget. The country's foreign exchange reserves fell by almost US\$4 billion over two months, to US\$20.2 billion at the end of November. Moody's said in a statement that Egypt's rating could be reduced further if it continues to decline at a similar pace.
- The gas pipeline across the Sinai to Jordan was bombed on 19th December for the tenth time this year. However the explosion did not cause any fire because no gas was being pumped at the time as it was being still being repaired from an earlier attack. This latest attack was 5km south of El Arish and the explosions were detonated remotely.
- Two days later, according to Jordan's Minister of Energy and Mineral Resources **Qutaiba Abu Qura**, Jordan and Egypt signed an amended gas-pricing agreement in Cairo.
- The price of extra gas supplied will rise from below US\$2 to US\$6 per 1000 cubic feet. Prices will be reviewed every two years. Egypt has also agreed to supply extra gas in compensation if there is any disruption to supply.

- > Sharjah-based **Dana Gas** is being asked to delay demand for payment of US\$148 million owed by **EGPC**, according to press reports in the Gulf. The report in **Al Bayan** said the Egyptian government is in talks with the company over paying part of the money owed and obtaining a grace period of a year or more for the remainder. Dana Gas is one of the few companies to make public the huge amounts owed to the international oil companies by **EGPC**. Earlier this month, Prime Minister Kamal El Ganzouri stated that banks were owed over LE60 billion by the energy ministry.
- > **Orascom Construction Industries (OCI)**, Egypt's biggest listed company by market capitalisation, is to separate its construction and fertiliser businesses into two concerns trading separately in Egypt and abroad. Fertilisers will remain under **OCI** and a new company will be formed to hold the construction business, in a de-merger intended to provide "*greater strategic clarity*", according to **Nassef Sawiris**, **OCI** chairman and chief executive.



Produced by Menas Associates'
Staff and Consultants
© 2011 All rights reserved

Menas Associates Limited
Suite 8, 4 Bloomsbury Square
London WC1A 2RP
United Kingdom

+44 (0)20 3397 4311 Phone

info@menas.co.uk
www.menas.co.uk

All information contained in this publication is copyrighted in the name of Menas Associates Ltd and as such no part of this publication may be reproduced, repackaged, redistributed, resold in whole or in any part, or used in any form or any means graphic, electronic or mechanical, including photocopying, recording, taping, or by information storage or retrieval, or by any other means, without the express written consent of the publisher.

Disclaimer

Menas Associates Ltd cannot ensure against or be held responsible for inaccuracies. To the full extent permissible by law Menas Associates Ltd shall have no liability for any damage or loss (including, without limitation, financial loss, loss of profits, loss of business or any indirect or consequential loss), however it arises, resulting from the use of any material appearing in this publication or from any action or decision taken as a result of using the publication.