Financial markets demand sharper crackdown against Egyptian workers

By Johannes Stern
3 March 2012

The Middle East Ratings and Investor Service (MERIS) has threatened that renewed political upheaval in Egypt will result in further credit downgrades. Amr Hassanin, the head of MERIS, told the Egyptian daily *Al-Ahram* on Monday that Egypt's credit rating could plunge two grades to the Greek level. Only last week Fitch Ratings downgraded Greece from "CCC" to "C."

Since the revolutionary ouster of Hosni Mubarak on February 11 of last year, the international rating agencies have downgraded Egypt four times. The latest downgrade by Standard & Poor's to "B"—which is five levels below investment grade—came after the Port Said football massacre, which left 74 dead and sparked mass protests against the US-backed military junta.

MERIS' comparison of Egypt to Greece indicates the policy that finance capital wants to see implemented in Egypt. Operating through the international rating agencies, it is moving to put the country under a de facto financial dictatorship presided over by the International Monetary Fund (IMF) and the World Bank.

In Greece, the "troika"—the IMF, the European Central Bank and the European Union—has unleashed social war against the working class. While the Greek workers are struggling for survival, the country's financial elite has shifted to foreign bank accounts an estimated €560 billion, a sum nearly twice as large as Greece's national debt.

Previous policies of economic "liberalization," privatization and social austerity pushed by the IMF and the World Bank led to the desperate conditions that triggered the upsurge of the Egyptian working class in January of last year and rapidly toppled the Mubarak dictatorship. Those conditions have not improved under the military junta that replaced Mubarak. More than 40 percent of the people continue to subsist on less than $2 a day.

Unemployment is rising and food prices are going up. But the international banks and the Egyptian ruling class are collaborating to further plunder the population.

In January, the Egyptian regime resumed talks with the IMF for a loan of at least $ 3.2 billion. On February 19, Egyptian Finance Minister Mumtaz Al-Saeed announced that Egypt expects to sign the loan agreement in March.

Last June, the junta and the interim government then headed by Prime Minister Essam Sharaf turned down an IMF loan after Saudi Arabia, Qatar and the United Arab Emirates reportedly pledged $10 billion in aid to Egypt. However, the current prime minister, Kamal al-Ganzouri, stated in his first official report to the Egyptian parliament that "very few of these promised funds have materialized."

Ganzouri was brought in by the ruling Supreme Council of the Armed Forces (SCAF) to replace Sharaf after mass protests against the regime last November. He had served as prime minister under Mubarak between 1996 and 1999 and, according to Said Hirsh, Middle East analyst at the London-based consultancy firm Capital Economics, then "played a key role in improving relations with the IMF and World Bank."

The economic situation in Egypt has worsened in recent months. The budget deficit is expected to hit 144 billion Egyptian pounds, or 8.7 percent of gross domestic product (GDP), for the fiscal year 2011/212. Egypt's foreign reserves have fallen from over $30 billion in February last year to $16 billion. Since October, the Central Bank of Egypt (CBE) has been expending $2 billion every month to prop up the Egyptian pound against the dollar. Hirsh of Capital

Economics warned of the danger of a “totally disorderly devaluation.”

In January, a monthly bulletin of the Central Bank of Egypt reported that Egypt’s gross domestic debt had reached 1.095 trillion Egyptian pounds, which amounts to 69.8 percent of the country’s GDP. The external debt of Egypt reached $ 34.9 billion at the end of 2011, an increase of $ 1.2 billion on the year before. According to MERIS, Egypt’s debt indicators are approaching those of Greece.

As in Greece, the economic policies of austerity and “liberalization” demanded by the IMF, including the slashing of food subsidies, will not solve any of these problems, but rather intensify them and prepare the way for even more brutal exploitation of the working class.

An unnamed Egyptian official who has been closely following the talks with the IMF told the news agency Reuters on Wednesday that the “IMF agreement has conditions that Egypt is expected to fulfill for the money to come. One of them is reducing the country’s budget deficit.” He added that, “those conditions have political consequences.”

The Egyptian ruling elite knows that the measures demanded by international finance capital will lead to intensified class struggle. The last time the IMF and the Egyptian regime cut subsidies, in 1977, the so-called “bread riots” erupted all over the country and the army intervened to crush the mass uprising.