

# Egypt: Falling Wages, High Prices and the Failure of an Export-Oriented Economy

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In April 2008, after a wave of protests over low wages and high food prices, including an attempt to generate a general strike by many workers and social activists on April 6 and led by workers in the state-run textile industry, the Egyptian government suspended its export of rice and cement in order to meet local demand. This suspension of exports is a response to the failure of the export-oriented economy that the World Bank and the International Monetary Fund (IMF) prescribed for Egypt in 1991. More than a decade and a half of neoliberal reforms in Egypt has brought the Egyptian society to the brink of a deep social crisis. Fearful of the collapse of the political order, the authoritarian political regime of President Hosni Mubarak recently conceded to the demands of the poor and the workers and promised a 30 percent wage increase for public servants and urged the private sector to offer similar compensation. As representatives of Egyptians workers have pointed out, the rising food prices while not being the main cause, has indeed exposed the dire situation of Egyptian workers and peasants who have suffered declining standards of living and increasing poverty since the mid-1990s.

In late 2007, the depth of social polarization in Egypt was captured in two controversial yet popular Egyptian movies – *Heya Fawda* and *Hayna Maysara*, which played in theatres across Cairo and other major cities. The movies were welcomed by a frustrated Egyptian population that has suffered from a lack of political liberties, economic rights and state oppression. The movies depicted the brutality of the Egyptian state and the failure of its policies through the experience of a community that inhabited one of the many slums of a big city. In a country where over 40 percent of the population lives below or near the poverty line (less than \$2 a day), and the popularity of these movies among the Egyptian public is a sign that people have had enough. Effective expression of frustration has taken on an organized form only in the recent years and only among the industrial working class. For example, 2006 witnessed 222 industrial actions, and in 2007 there were 580 actions among diverse sectors including transport, textile, garbage collectors, and followed by white collar strikes which included physicians, property tax collectors and university professors. This year has seen even greater numbers of industrial actions to day, and over a 1000 protests of various kinds. Peasant resistance has remained hidden from the general public and suppressed by the state, although the land grab underway by land developers and the tourism industry has faced often tough – if divided – resistance, from the Egyptian popular classes across rural Egypt.

In its coverage of Egypt, the western media, in line with American President George Bush's call for liberal democracy and open elections, has focused on the abuses of political rights and suppression of civil society in isolation from an analysis of how the agenda of global economic integration by the western imperialist powers has been responsible for the

suffering of the majority of Egyptians. Egypt has remained a strong ally of the U.S. in the region and has played an important role in mediating the Israeli/Palestine conflict. This regional role played by Egypt has often overshadowed Egypt's domestic politics. Consequently, the recent wave of strikes and protests in Egypt, which dominated the western media at first seemed as if overnight Egyptian workers and citizens had decided to take action despite the anti-terror law, which replaced the emergency law and bans any activity including strikes and protests that might be deemed as disrupting social order and peace.

The reality remains that Egyptian citizens, workers and peasants have experienced a fundamental social change as Egypt embraced a free market economy in 1991. A deepening of capitalist social relations has occurred with a radical increase in the use of coercions and violence by the Egyptian state. Such political repression is connected to the radical decline in the material conditions of ordinary Egyptians.

Enter the IMF In line with the Economic Reform and Structural Adjustment Programme signed with the International Monetary Fund in 1991, the Egyptian government has been steadily privatising the public sector, liberalizing prices and rents. By 2005 the government, either wholly or in part, had sold off 209 of the 314 public sector companies earmarked for privatisation. The sale of the public sector has been accompanied by massive lay-offs, an end to job security and a downward spiral of wages and benefits for Egyptian workers. Female workers especially have become the victim of unemployment, as previously public firms become privatized.

The Egyptian opposition claims that economic liberalization pursued by Nazif has made the rich richer and the poor poorer in Egypt. As a result of the 1990s wave of privatization, precarious labour conditions (low wages, temporary jobs, reduced benefits and shift work) have become generalized among the existing working class in major cities, while many others have faced a loss of employment. For Egyptian big business interests, business has boomed and growth has remained positive, and thus it can be safely concluded that profits mounted at the expense of workers' livelihoods. The weakness of the neoliberal mode of economic organization became exposed when food prices began hiking while wages remained stagnant, although the economists and the ruling classes in Egypt have been celebrating the positive growth rates of the economy. This deterioration of workers' lives has corresponded to a rise in labour unrest since 2005.

### **Labour Unrest: Old and New**

The most unforgettable moment of crisis and public protest in Egypt's recent history has been the bread riots of 1977, which occurred in response to Sadat's liberalization of bread prices. The extent of state brutality was evident then as over 100 people were killed during the riots. Since taking over power in 1981, Mubarak has been careful to prevent a repeat of 1977 riots. He even used the fragility of political situation in Egypt as an excuse in slowing down implementation of IMF and World Bank demands. However, the dominance of a neoliberal minded cabinet under Prime Minister Nazif overlooked the real condition of Egyptians.

Since 2005, there has been a radical increase in the number of strikes and protests in Egypt. The protests of 2005 occurred in the context of presidential elections and aimed at exposing the absence of political rights and space for political debate. However, the labour protests of

2006 and after have marked a crucial departure in social protest in Egypt. These protests have been in response to the privatization of public sector firms, which has been accompanied by low wages and diminishing benefits for workers. At the same time, the collusion between managers of public sector firms and the main Egyptian state-controlled General Federation of Egyptian Trade Unions (GFETU), has led Egyptian industrial workers to seek autonomy from the union. Fed up with GFETU and its failure to voice the concerns of workers, in 1990 labour lawyer and political activist Youssef Darwish established the Center for Trade Union and Workers' Services (CTUWS). The CTUWS was indeed the first step towards establishing an independent trade union that could genuinely represent the interests of the workers and defend their rights. Unfortunately, after the April 2008 protests, the CTUWS became the target of attack by state security, which resulted in the forced closure of the center and its various branches across Egypt. This was part of a mass arrest of political activists on the eve of the April 6 strike call. These kinds of arrests have continued.

The legacy of the Left in Egypt has been one of concessions to the ruling party's demands. In the course of the 1980s, the Left allied itself with the ruling NDP (National Democratic Party) against the Muslim Brotherhood and this cost the Left the support of the poor and peasants from rural Egypt. A further retreat of the Left occurred in the wake of IMF/World Bank demands to shift the Egyptian economy towards an export orientation. Accepting the general shift of the economy without taking into consideration the effects of such a shift on working people, the Left lost most of its popular support among Egyptians. One instance that highlighted the weakness of the Left and their understanding of the current global economy was when the Left parties opposed privatization arguing that it was an attempt at 'selling Egypt to foreigners.' The ruling party easily defended privatization demonstrating how it was Egyptians who had gained control of the privatized firms and not foreigners.

With a Left in disarray and disoriented, it should not be a surprise that the people feel they cannot successfully press their demands through Left parties. As a result, the workers, the unemployed, those living in slums and others began self-organizing. The most prominent of these groups has been university students who are seen as a threat and thus controlled by the state security apparatus within university campuses. As guarantees of employment for university graduates came to an end under Mubarak, university graduates have been left disillusioned and unemployed. Those employed earn around LE 300 which is insufficient to even pay the monthly rent for an apartment. Young people feel a lack of dignity as most are incapable of starting a family due to low salaries, lack of employment, and the high cost of living. In an attempt to regain their lost dignity due to lack of employment, these young men have joined Islamic groups who oppose the government due to its unjust policies. Universities in Cairo and other parts of Egypt have thus become sites of activism, rebellion and a corresponding heavy police presence. Thus, while workers of Mahalla al Kubara demanded a rise in their wages, others involved in the April 6 general strike (and other subsequent calls for mass strike action) have deeper grievances about a failing economic and political system and a corrupt ruling class who have benefited at the expense of the general Egyptian population.

Egyptians have suffered from the absence of personal liberties, right to education in the context of a deteriorating public school system, right to economic freedoms and guarantees of a decent livelihood, underscored by the April bread riots that left more than seven people dead. It can be concluded that the current protests and calls for general strike are motivated by material interests of Egyptian workers and a disappearing middle class and

demonstrated by recent protests of white collar workers such as journalists, doctors and accountants who are faced with a radical rise in the cost of living while their salaries have remained low. Twenty two percent of Egyptians or 14.2 million live below the poverty line of \$1 dollar a day, and millions other live close to poverty line.

Mahalla al Kobra: Mahalla al Kobra, which lies 110 km north of Cairo, has been known for launching industrial action in the recent past (such as the major strikes of December 2006) similar to its recent strike action in support of better wages and benefits for more than 250,000 public sector manufacturing and textile workers. The workers of Mahalla factory constitute one quarter of the million textile and garment workers in the public sector.

What makes Mahalla el-Kobra so important to the Egyptian state? First, Mahalla has been the largest state run textile factory, meeting the demands of the state for textile, a company that was established in 1928 by Bank Misr as a symbol of Egyptian nationalism. Second, its workers have been at the forefront of industrial labour in Egypt, resisting the pressures to privatize the factory. The push for competitiveness has left the remaining public sector workers with low wages and at Mahalla monthly wages stand at \$34 per month, most of which is absorbed by the high rents for workers' residences, food and transportation.

Earlier in 2006, Mahalla workers went on strike when Prime Minister Nazif reneged on his promise to increase sufficiently annual bonuses, which supplement low wages. The strike was successful in that workers were offered bonuses equal to 45 days of their work as opposed to the two months that they had demanded.

In the recent April 2008 Mahalla protests, where over 15,000 protested the rising food prices, over 150 arrests were made and possibly two deaths occurred at the hands of the security apparatus. Angry young men who joined the workers ripped and burned posters of president Mubarak. Police shot dead a 15 year old boy who was in his apartment. The state police prevented and/or arrested journalists from reaching out and reporting stories of people whose relatives were detained. Over 150 people were detained during the protests. At the same time, the state controlled media depicted the two day uprising in Mahalla as destruction of public property and vandalism by thugs just as the 1977 bread riots were labeled as 'the revolution of the thieves' by the state. There continued to remain a dominant presence of state security police (30 security trucks) in Mahalla even after the protests were suppressed. The state authorities cancelled council elections in the Mahalla al Kobra and in other parts of the Nile Delta fearing an electoral victory of pro-labour and Muslim Brotherhood sympathizers. Nonetheless, factory officials attempted to discourage strike action by offering LE90 of food allowances, which was rejected by workers who claimed that rising food costs would require LE150 instead.

In response to the recent socio-economic crisis that has engulfed Egypt, the Egyptian government has adopted a two-fold approach, which focuses on limited redistribution and repression. On the one hand, the state announced suspension of exports of key food items and construction material (cement, steel and rice) in order to reduce the cost of living on Egyptian citizens. This suspension of exports, which will continue until October 2008 was accompanied by a more important announcement of 30 percent salary increases for public servants across Egypt. On the other hand, President Mubarak recently announced that any attempt to disrupt social order will be met with heavy force.

Political Repression Since the bread riots of 1977, the Egyptian emergency law has often

been used to prevent freedom of association by workers and citizens. After 2001, the Egyptian state attempted to align its emergency law with the anti-terror law that carried deeper implications for all sorts of social protest or contestation of state policies as it defined all kinds of activities that could disrupt social order as constituting a terror activity and thus subject to police action. The Egyptian state and ruling National Democratic Party (NDP) has been using these extended power of the state to prevent the emergence of an alternative to the current order, be it a left response or an Islamist one. In order to maintain a firm control over the presidential power, the NDP introduced constitutional amendments limiting the ability of other parties to run candidates for presidential elections. In order to nominate a candidate for presidential elections, a party needs the support of 10 members of every local council in 14 provinces. Thus, local council elections have recently been the target of state repression due to fear of election of anti-government councilors who might support opposition parties. As a result, the 2008 council elections saw only 30 per cent of the 52,000 council seats as being contested. The MB boycotted the elections after many of its potential candidates were arrested by the state.

The Unfolding of Neoliberalism and Possible Alternatives As happened in 1977, in 2008 Egyptian citizens took to the streets protesting an increase in bread prices. State officials hoped would help in the reduction of the budget deficit. The protests have warned officials that Egyptians will not remain quiet when their most basic needs are made inaccessible to them. Fearing a further escalation of kind of protests that occurred in early April, officials have announced price controls, an increase in salaries and a channeling of export of food and cement towards domestic consumption. The Egyptian president ordered the army to bake bread using the army ovens to respond to the food shortages. These measures have been taken at a time when Egyptian workers are faced with the lowest levels of wages. Egyptian workers earn 92 percent less than workers doing similar work in Israel, 81 percent less than in Turkey, and 65 percent less than in Tunisia, 40 percent less than in India and 15 per cent less than in Pakistan). Meanwhile, food prices have more than doubled since 2007 while rents and costs of transportation have experienced sharp increases. Even with two jobs and over 12 hours of work, Egyptian workers are incapable of paying the minimum rent for a small flat which costs around LE 300 per month (because of the rise in cement and steel prices).

The phenomenon of food and shelter insecurity has engulfed Egypt ever since it embarked on an export-oriented economy that saw local produce targeting international demand while ignoring local needs. What is significant about the current protests in Egypt is that it questions the legitimacy of the current neoliberal economic development that was pushed through forcefully by the Nazif government. In the coming months, it is possible that the government will focus on damage control through some redistributive measures. However, the extent of discontent and the spread of state violence and dispossession across Egypt cannot be contained without fundamental changes to the existing set of socio-economic policies.

Joel Beinin in an article which appeared in MERIP on May 9, 2007 captured the problem of building a progressive alternative that could effectively oppose the state in Egypt. He writes that the Egyptian Left never succeeded in linking U.S. imperialism and Israel/Palestine conflict with the expansion of capitalism. As a result, the Left continued to denounce imperialism and Zionism without building a grass roots movement that could oppose the expansion of capitalist social relations in Egypt. This weakness of the Left has left both workers and peasants without an institutional link to the Left Party and in effect the old Left

has become irrelevant in Egypt. However, Beinín sees the rising wave of strikes and labour protests as signs that the struggle between labour and capital is intensifying as the neoliberal project is pushed ahead. What remains open ended is whether the Left can reemerge and build on this wave of protest and link the various urban/rural struggles as one struggle against capitalism, or if it will fail to recreate itself and thus miss a historic opportunity. •

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