

Egypt's Military, an Economic Giant, Now in Charge

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It owns companies that sell everything from fire extinguishers and medical equipment to laptops, televisions, sewing machines, refrigerators, pots and pans, butane gas bottles, bottled water and olive oil.

Its holdings include vast tracts of land, including the [Sharm el-Sheikh](#) resort, where ex-President Hosni Mubarak now resides in one of his seaside palaces. Bread from its bakeries has helped head off food riots.

"It's a business conglomerate, like [General Electric](#)," said Robert Springborg, professor of national security affairs at the Naval Postgraduate School in Monterey, referring to the [Egyptian military](#). "It's represented in virtually every sector of the economy."

So is what's good for [Egypt](#)'s GE good for the country, now that the military is, at least temporarily, in formal control?

In a September 2008 classified cable recently released by WikiLeaks, U.S. Ambassador to Egypt Margaret Scobey wrote, "We see the military's role in the economy as a force that generally stifles free market reform by increasing direct government involvement in the markets."

The cable noted "the military's strong influence in Egypt's economy," with military-owned companies, often run by retired generals, "particularly active in the water, olive oil, cement, construction, hotel and gasoline industries."

As for the civilian government's privatization initiatives - headed by [Mubarak](#)'s son Gamal before he was ousted from his party post - they were viewed "as a threat to (the military's) economic position, (which) therefore generally opposes economic reforms," according to the cable.

Springborg, who has written widely on Egypt and met with the nation's military, doubts the military's increased responsibilities will change that position.

"It's been steadfastly opposed to liberalization and got rid of everybody in Mubarak's government who supported it," he said.

Among those gone, to Springborg's consternation, is industry and trade minister Rachid Mohamed Rachid, who was reportedly being investigated last week for alleged corruption, an allegation he has vehemently denied.

"Not only was Rachid known as an honest man, he was one of the best businessmen in

the [Middle East](#). He was a key figure in talks with foreign investors,” Springborg said. “I think his removal sends a chilling message to the global business community.”

“Awash with cash”: Reporting on the military is a crime in Egypt, and estimates of its share of the [Egyptian economy](#) – ranging from 5 to 40 percent – are “absolute guesswork,” Springborg said. “No one has the books on their companies.”

Egypt’s Ministry of Military Production, which has its hand in numerous business pursuits, including building water treatment stations, has 40,000 civilians on the payroll and takes in approximately \$345 million a year, according to its head, former Gen. Sayed Meshal.

A reporter for the online publication Slate who interviewed Meshal last year described the ministry’s “lavish headquarters,” with “golden handrails” and “fancy custom-made drink coasters – the place is awash with cash.”

In the interview, Meshal “gleefully” told the reporter that Egypt’s well-known bottled water, Safi, produced by a military factory formerly run by Meshal, was named after his daughter.

Open for investments?: One sector that appears not, as yet, to have caught the military’s business eye is high tech. “They are very low-tech, interested mostly in laser beams and night-vision goggles,” Springborg said.

But high tech has been a source of foreign investment, which Egypt could definitely use as it seeks to put its economy back together.

“The new government could pursue a more open economic policy to attract foreign investment,” said an analysis by Stratfor, a geopolitical consultancy in Austin, Texas. In the short term, it would help in “maintaining subsidies as well as fulfilling economic promises, such as a 15 percent increase in public employees’ salaries to ease the current social unrest.”

Perhaps Israel, an emerging high-tech power, along with Silicon Valley, could be interested if the atmosphere were right. After all, it was the 1979 peace treaty with Israel that spurred Egypt’s military-business complex to diversify into more consumer-oriented fields, in part to employ soldiers no longer at war.

“Israel is transforming its economy through high tech. Egypt has wanted to do the same,” said Keith Watenpaugh, associate professor of modern Islam at UC Davis.

We probably shouldn’t hold our breath for that. And it might be a while before overseas investors in general open their wallets, should the military rulers pursue a more “nationalistic” economic course.

“I don’t think we are going to have neoliberal, Western-style economic reform in Egypt,” Rashid Khalidi, a professor of Arab studies at Columbia University, told Time magazine this month. “I think there is going to be a return to some aspect of state-led development so the part of the economy that is controlled by the military may well be reinforced for some time.”

At this point, would Springborg invest in Egypt, assuming he had the means? “No, absolutely not,” he replied.

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