

Answer to Question

The Truth and Causes of the Economic Crisis in Egypt

(Translated)

Question:

The Egyptian market is witnessing a significant rise in prices, and the Central Bank devalued the pound. The state announced its intention to hold a national dialogue with all parties, and released three thousand prisoners. What is the reality and causes of this economic crisis in Egypt?

Answer:

Yes, several factors and international circumstances combined to form huge black clouds for the Egyptian economy. These black clouds have formed and became the size of a disaster. Various news indicate that the regime and those behind it have become in a state of panic and anticipation of what will happen, the explanation of this is as follows:

First: Egypt imports 85% of its wheat needs from Russia and Ukraine (Al-Arabi, 27/2/2022). With the outbreak of the Russian war against Ukraine, Egypt has become one of the biggest indirect casualties of this war, threatening Egyptians' bread in terms of availability and price. Despite officials in Egypt declaring that the quantity of wheat is secure until the end of this year, the price of wheat has risen significantly against the backdrop of the war in Ukraine and the disruption of exports from Russia and Ukraine, [the latest purchase made by Egypt, as the largest global buyer of wheat, revealed a significant jump in the cost of Purchase compared to prices before the Russian invasion of Ukraine. Bloomberg added that in last Wednesday's tender, the state-run buyer got 350,000 tons at an average of \$490 per ton after freight is taken into account. This is a whopping 44% higher than the price paid in mid-February, just before the outbreak of the war, and the highest in at least six years. (Arabi 21, 19/4/2022)]. The rise in wheat prices is the first black clouds! Moreover, Western sanctions against Russia due to the war in Ukraine have led to an increase in freight and oil prices as well.

This constitutes the second of the black clouds in Egypt and increases the fatigue of the state budget, which is already exhausted by massive government corruption. The third of those black clouds is the prices of poultry feed, livestock and fertilizers that have risen dramatically globally after the disruption of their supply from Russia or because their production globally, especially in Europe, that depends on gas from Russia, [Deputy Minister of Agriculture, Dr. Mona Mahrez, confirmed that Egypt imports 95% of poultry feed. (Sada El-Balad,12/5/2018)], and this high percentage indicates that the regime was placing the country's food security under foreign hands.

Second: Egypt has for years become a major producer of gas from the Mediterranean fields, and against the backdrop of the war in Ukraine and America's efforts to provide natural gas to European countries from many countries as an alternative to Russian gas, it is clear that the Egyptian government is cooperating with America in pumping Egyptian liquefied gas to Europe in implementation of America's plan. This has led to a significant increase in gas in Egypt, as the prices of gas cylinders for home cooking have increased for the second time in Egypt by 7% (CNN Arabic, 21/3/2022).

In addition to exhausting the ordinary citizen, who thought that he was breathing a sigh of relief after the Egyptian gas discoveries in the Mediterranean and the transformation of Egypt into a regional center for gas liquefaction, this rise has hit all productive sectors, including those that are very vital to the citizen's table, such as poultry whose breeding depends on heating (The Independent Arabia, 104//2022), and thus it becomes clear that the Egyptian regime's submission to America's international policies has struck the Egyptians in their power, not to mention their economic life in general. So, raising the price of gas was another black cloud that the regime has

formed to please America!

Third: After Egypt, like others, benefited from what the West calls emerging markets from American and international hot money during the Coronavirus period, billions of hot dollars entered the Egyptian market during 2020 and 2021, which is the zero-interest period in America and many capitalist countries. However, America for reasons related to its conditions and economic and political interior has started raising interest rates. Raising interest rates in America has unintentionally formed a big black cloud for the Egyptian economy, as 15 billion U.S. dollars out of a total of about 25 billion dollars, which is the hot money in the Egyptian market, was on its way to the American markets.

[The Egyptian Stock Exchange lost about \$4 billion of its market value during the first quarter of 2022, prompted by a continuous wave of sales by foreign investors since the beginning of the year. (Arabi 21, 27/4/2022)]. [It indicated that indirect foreign investments, hot money reached its highest-level last September when it generated about \$25 billion (The Independent Arabia, 8/4/2022)].

This hot money throughout its existence in Egypt constituted a kind of supportive cover for the pound, which showed some signs of stability in the years 2020 and 2021. With the loss of these funds, the Central Bank of Egypt was forced to raise the interest rate and reduce the value of the pound, in an indication of a major financial crisis that the country suffers from in Egypt: [According to the American Bloomberg Agency, the recent decisions of the Central Bank of Egypt to raise the interest rate and reduce the price of the pound came against the backdrop of withdrawing funds amounting to 15 billion dollars from the local debt market in the past three weeks. (Al-Jazeera, 24/3/2022)].

[The Central Bank of Egypt, on March 21, reduced the exchange rate of the pound against the US dollar by about 14 percent, after a sharp decline in the volume of foreign currency liquidity, after foreign investors exited from investing in government debt instruments, after the US Federal Reserve decided to increase it by a quarter of a point percentage, to become 0.5 percent, thus, for the first time it increases since 2018, which prompted the Central Bank of Egypt to raise interest rates on deposit and lending by 100 basis points (one percent), and then followed it by depreciating the value of the pound. (Independent Arabia 8/4/2022)].

Fourth: With this decision to devalue the pound, the prices of all kinds of goods imported from abroad have automatically risen. Which are numerous, that the regime formed a large black cloud that hovered over the Egyptian economy, but it did not carry a drop but rather poisons that burden the lives of Egyptians. Thus, the prices of most commodities in the Egyptian market have exploded, and the hard currency necessary to import wheat, oils and other food commodities and their inputs, not to mention industrial commodities, has become scarce. This increased after the state, through decades of failed agricultural policies, transformed the fertile agricultural fields in the Nile Basin from cultivating wheat and the rest of the elements of food security to the cultivation of cotton under American directives to ensure control of the state and the Egyptian people.

It is certain that the state, fearing for the Sisi regime, took from behind the scenes and under the impact of all these black clouds, which gathered and unexpectedly at the same time to pose a severe danger to the Egyptian regime, it started crying out! So Saudi Arabia and other Gulf countries came with their deposits, [according to the Saudi News Agency (SPA), which stated that under the directives of King Salman bin Abdulaziz and Crown Prince Mohammad bin Salman, Riyadh deposited \$5 billion in the Central Bank of Egypt, confirming the distinguished bilateral relations between the two countries and brotherly people in all fields, and at all levels... The Central Bank of Egypt had extended the terms of two Saudi deposits worth \$2.3 billion to be repaid in April 2022 to October 2026, in addition to extending the terms of a Kuwaiti deposit worth \$2 billion to be repaid in next April, to September 2022, according to official data. (The Independent Arabia, 8/4/2022)].

Fifth: Perhaps what indicates the severity of the financial and economic crisis in Egypt is that

the failed system relies on loans in the first place, to feed the economy with money, and that Gulf aid and deposits are insufficient because of the great need for funds, [the Egyptian government intends to borrow 634 billion Egyptian pounds” 34.6 billion US dollars” in the fourth quarter of the fiscal year 2021/2022, that is, before the end of next June, according to the English-speaking Egyptian newspaper, Daily News Egypt. (Arabi 21, 10/4/2022)]. The loans entering Egypt were vulnerable to the massive government corruption. Officials in the regime loot that money, then leave it to the state to pay it off, it is not able to do that today, which indicates that the state did not benefit from this borrowing policy, and that its size over the past decades of state corruption has reached a large amount. The benefits “usury” on those loans have started to eat up more than half of the state's tax revenues:

(At the parliamentary level, Representative Dia El-Din Daoud criticized the continuing budget deficit and the expansion of borrowing, and said that “Egypt is facing a huge financing crisis,” noting that “public debt figures increase by 16.8 percent annually, which means that Egyptians currently live in debt.” He stated during a speech in the Egyptian House of Representatives, while discussing the final account of the 2020-2021 budget, that “there are premiums that eat 51 percent of the budget’s spending, which means that Egypt is facing a catastrophe from which there is no escape.” Arabic 21, 22/4 /2022) Thus, the regime in Egypt did not find a way to solve the economic dilemmas except by multiplying the problem with loans and more loans, and following the instructions of the International Monetary Fund!

Sixth: The failure of the regime has reached the point where its president attributes this economic weakness to population growth, even though population growth, if it is well taken care of, helps in economic growth and does not weaken it. Countries in Europe and Japan import labour and immigrants to compensate for the weak population growth to develop their economy, but the Egyptian president puts reasons that are inaccurate: [Egyptian President Abdel Fattah El-Sisi said that “the challenges in Egypt are greater than any government, and we are working on a plan in which we all contribute.” Sisi added. The volume of economic growth in Egypt did not match the population growth rates, so we sought to reduce the gap between the country's growth and population growth. If we do not work to control population growth, we will not feel any economic improvement... The President indicated that he stressed that the challenges are greater than any president or government, but they are not greater than the people of Egypt, stressing the need to implement a plan to solve these crises. Sisi also stressed that without economic reform, conditions would have been more difficult, during the Corona crisis. (RT, 21/4/2022)].

Seventh: One of the things the Egyptian regime fears the most is that these circumstances will force it to reduce the bribes and crumbs that it used to offer to the groups supporting it through the “supply cards” issued by the Ministry of Supply, those “cards” that his followers used to benefit from and applaud for. They find some commodities at reduced prices. Today, these categories are rapidly decreasing, which pulls any popular rug from under the feet of the regime and makes it vulnerable to collapse when the popular protests begin: [A few days ago, the Ministry of Supply announced a new revision of the supply card system after announcing the exclusion of eight categories from the system starting next May. Commodity support in the fiscal year 2021-2022 budget amounts to about 108 billion Egyptian pounds (\$5.8 billion), divided between 87 billion pounds (4.6 billion dollars) to support food commodities, 18 billion pounds (969 million dollars) for fuel, and 665 million pounds (\$36 million) for farmers. And 2.5 billion pounds (\$135 million) to subsidize medicines and infant formula milk, while the government got rid of electricity and water subsidies two years ago to become zero. The state reduced commodity subsidies by 54 percent in five years. (The Independent Arabia, 25/4/2022)].

Eighth: What indicates the severity of the regime's fear in Egypt from the consequences of this semi-sudden crisis, which makes Egypt the first to be indirectly affected by the war in Ukraine and the internal American decisions (the interest rate hike). This is on top of the crisis that the regime was creating for the people, which it spent sleepless nights to ensure that the citizen run in

search for a living and barley finds it, all of which points to the reason why the Egyptian regime pushed for the release of prisoners and the call for dialogue. [The Egyptian Ministry of Interior announced on Wednesday that President Abdel Fattah El-Sisi had pardoned 3,273 prisoners convicted of criminal cases. (RT, 27/4/2022)].

This came after quick preparations in the past few days to activate the Amnesty Committee without disclosing the reason for not activating it in the past long period before this economic crisis. Sisi has become a dove of peace calling for dialogue, a dialogue with everyone: [Egyptian President Abdel Fattah El-Sisi directed, on Tuesday, to conduct a national dialogue with all political forces without “discrimination or exception. This came during his participation in the annual Egyptian Family Iftar party, according to local official and private media. Al-Ahram the (official) newspaper stated that Sisi “assigned (officially) the management of the National Youth Congress in coordination with all political party and youth currents to conduct a political dialogue on the priorities of national action during the current stage.” He demanded that “the results of this dialogue be submitted to him personally, with a promise to attend the final stages of it.” (Anadolu, 26/4/2022)].

Ninth: With all this, the reality of the financial and economic crisis in Egypt becomes clear, as it is a chronic crisis resulting from the policy of economic exhaustion of the people so that they remain kneeling to this traitorous regime, but many black clouds have suddenly gathered due to the war in Ukraine and American decisions regarding the internal situation after Coronavirus (In the context of enhancing the chances of the Democratic Party to win the upcoming midterm elections for the US Congress in November 2022), and all this economic reality, old and new, has set off alarm bells in the corridors of the Egyptian regime.

The Gulf States came and with it came the Jewish entity to try to save the regime in Egypt, but it is clear that the crisis is severe and very large and is the result of a destructive economic policy that the state has followed for decades under American directives to ensure the Egyptian people are brought to their knees. Today, under the impact of these sudden black clouds, it has turned against the regime, which is forced to abandon the support of the groups that were applauding it, so the rug of people’s support will be pulled out from underneath it, thus leaving the regime exposed and subject to severe turbulence, which may develop into a fatal vibration if the people insist on ousting the regime from its roots.

Perhaps in this crisis and the fire that afflicts the Egyptian people, there may be an opportunity for the sincere people of this Ummah to support the members of Hizb ut Tahrir working to change this corrupt system and establish the Khilafah (Caliphate) on the method of the Prophethood, leading to prosperity and the glory of Islam and Muslims.

﴿وَيَقُولُونَ مَتَىٰ هُوَ أَقْبَلُ عَسَىٰ أَنْ يَكُونَ قَرِيبًا﴾

“Then they will nod their heads toward you and say, "When is that?" Say, "Perhaps it will be soon” [Al-Isra’: 51]

3 Shawwal 1443 AH

3/5/2022 CE