

Deepening Crisis in Egypt

The Political Battle Conceals An Economic Disaster

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The African journalist Nathaniel Manheru chose a quote from French icon Andre Malraux's Anti-Memoirs to understand current events in Egypt, "it is in Egypt that we are reminded that (man) invented the tomb."

The tomb may be the appropriate metaphor not only for wannabe President for forever Hosni Mubarak but also for the 30 plus year neo-colonial economic system that he has presided over. Not surprisingly Frank Wisner Jr, the former U.S. Ambassador and son of a CIA dirty tricksters, wants the President to stick around –in the country's interest, of course.

And Western countries are now aligning with the people in the suites—not the streets. So much for the bottom-up democracy that President Obama has appeared to support. We want freedom there—but we can wait!

What's next for Egypt?

The 82 year old President seems stuck in the final stages of his own mummification. At the same time we might consider the decisions he ratified that in a sense "dummified" the world.

- He didn't appear to have seen the crisis coming in the same way so-called "intelligence" agencies from the CIA to the Mossad missed it too. as they had the Iranian Revolution before it, and as the wise men of finance missed the financial crisis.
- He hasn't paid attention to Egypt's imploding economy, firing an internationally respected finance mister and replacing him with Samir Radwan who is expected to turn the economy around miraculously amidst the chaos and uncertainty.
- He reacted with a series of self-defeating (and country-destroying) measures from shutting down the Internet crippling commerce to sending in an army of thugs that revealed just how brutal his critics insisted he always was. Not only is Mubarak still in power but his secret police, The Mukhabarat, are torturing away.
- His violent overreaction against the world media—the arrests and clubbing of journalists in public– insured more coverage, not less, and that the world would be glued to the dramatic confrontation—the very thing TV cameras live for as Egypt showcased its own superbowl of confrontation.

We all saw these events despite the efforts to muzzle the media.

But another scene went largely unseen: the crippling of Egypt's economy that may prove to be more dangerous for the country's future.

While Mubarak did not depart on his hoped for "day of departure," something else did—currency and investments. It's been estimated that the country is losing \$310 million a day. That already adds up to several billion dollars as the demonstrations enter their 12th day.

Stock Market Digital reports, Egyptians and foreign investors have transferred hundreds of millions. many to South East Asia or Australia. Its assets are at risk, says John Sfakianakis, chief economist at Banque Saudi Fransi. "If it does fail to compress this rioting situation the assets might get depleted soon enough."

All of this has had a global impact, too, with stock markets battered worldwide and crude prices going up. Many experts fear a run on the banks when they reopen shortly. It is significant that foreign interests now own more than half of Egypt's banks. They were to open Sunday but fears of a bank run kept most closed. The Egyptian pound was down at its lowest level since 2005.

Former Goldman Sachs Managing Director Nomi Prins writes about this banking sector, "From 2004 to 2008, as the world economic crisis was being stoked by the U.S. banking system and its rapacious toxic asset machine, Mubarak's regime was participating in a different way. Mubarak wasn't pushing subprime loans onto Egyptians; instead, he was embarking on an economic strategy that entailed selling large pieces of Egypt's banks to the highest international bidder. The result was a veritable grab-fest of foreign bank takeovers in the heart of Cairo...

Egypt attracted \$42 billion worth of foreign capital into its borders, as one of the top investment "destinations" in the Middle East and Africa. "Hot" money entry was made easy, with no restrictions on foreign investment or repatriation of profits, and no taxes on dividends, capital gains or corporate bond interest...

Not surprisingly, those foreign speculation strategies didn't bring less poverty or more jobs either. Indeed, the insatiable hunt for great deals, whether by banks, hedge funds, or private equity funds, as it inevitably does, had the opposite effect."

She reveals that Goldman Sachs invested in a major real estate company for the luxury market with millions living on \$2 a day.

Now, a financial crisis threatens.

Reuters reports optimistically, "An exodus of foreign investors would probably be manageable. The central bank says its official reserves are \$36 billion. Additional assets held with commercial banks – regarded as unofficial reserves – are estimated at around \$20 billion. Before the crisis, foreigners held just 7 percent of Egypt's total public debt, equivalent to a little over \$11 billion.

The bigger worry is if Egyptians also take fright. The rich could decide to shift their money into gold, dollars or overseas markets. The poor, many of whom are relatively new to banking, may choose to stash their life savings under mattresses instead. There is a serious danger of out of control inflation, Robin Amlot, managing editor of Banker Middle East, says

people are starting to “run out of the basics, which will feed into inflation”.

Moody's Investors Service has downgraded Egypt's government bond ratings to Ba2 from Ba1. Its outlook went to negative from stable. This will cost the country a significant amount of money,

Why is this happening? Clearly, financial interests put their own interests before the public interest. The US government may want to stabilize Egypt but the private sector and Wall Street have no compunctions about destabilizing it if they think that is the best way to profit.

World Bank President Robert Zoellick admitted to a conference in Germany that rising unemployment and food prices critical to “the instability in the region.” He did not discuss how World Bank policies had made conditions worse over the years.

Mumbarak's model of economic growth had helped fund a small middle class without dealing with persistently high unemployment, rising food prices, inflation and deepening poverty.

Canada's CTV reports, “one-in-five Egyptians lives below the poverty line with little hope of rising above it as unemployment hovers around 10 per cent. And those with jobs can do little to combat inflation soaring at a rate of more 12 per cent a year.

Egyptian-born Montrealer Mohamed Kamel says when you factor in his homeland's inadequate healthcare and a neglected education system combined with a rampant culture of corruption it's easy to see where the frustration is coming from.”

The Guardian reports that one person who has not suffered from these policies is none other than Hosni Mubarak,

“President Hosni Mubarak's family fortune could be as much as \$70bn (£43.5bn) according to analysis by Middle East experts, with much of his wealth in British and Swiss banks or tied up in real estate in London, New York, Los Angeles and along expensive tracts of the Red Sea coast.”

These problems and inequalities have long been urgent issues in Egypt, but in the last weeks they were overshadowed by the high-profile protests to oust the President. These economic issues have been almost invisible in the world media but will not be easily resolved with or without Mubarak.

The West now wants to put the brakes on the campaign to oust what many consider a modern Pharaoh” They want to replace him with someone like him. But as the Lebanese editor Rami Khouri puts it; “Just changing generals is not freedom.”

Any real revolution inevitably demands a transformation—not just a transfer of power of the strong man at the top. The Egyptian peoples fight for political and economic justice has a long way to go.

Blogger and News Dissector Danny Schechter directed Plunder The Crime Of Our Time, a DVD about the financial crisis as a crime story. (www.Plunderthecrimeofourtime.com) Comments to dissector@mediachannel.org

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