

*July 15, 2013*

## **The Egyptian C#@P**

From June into early July, the government of Egyptian President Mohamed Morsi was under pressure from widespread civil unrest. On July 3<sup>rd</sup>, the military, after warning the president that he had 48 hours to make changes or face an ouster, made good on their promise. The title of our report is “tongue in cheek” as the Obama administration and other officials are going to Orwellian lengths to say this isn’t a coup. U.S. law says that aid must be suspended to any nation that has a democratically-elected government that is forcibly removed by the military. Although the law is clear, the Obama administration is concerned that cutting off aid may worsen the situation. In addition, the threat to suspend aid may give the U.S. some leverage over Egyptian officials; cutting it off may remove what little influence the administration has over this situation.

In this report, we will examine the concept of the “Civil Society Coup” and how this idea complicates the policy response because it is different from other forms of military intervention. We will then discuss Egypt’s underlying political problems, including an analysis of the long odds that the next government will have more success than the Morsi regime. A summary of how other nations will react to the coup as well as how Jihadists will frame the Egyptian situation will follow. As always, we will conclude with potential market ramifications.

## **The Civil Society Coup**

In the aftermath of the fall of the Berlin Wall and the end of communism in Eastern Europe, a body of political research developed based on the concept of “civil society.” Although definitions of the concept tend to be somewhat amorphous, most theorists tend to define civil society as the social network of groups that specifically excludes government, militaries, family, individual businesses and political parties. Civil society is essentially the broad, semi-formal networks between various social groups. Thus, groups as diverse as bowling teams, churches, unions, Rotary clubs, fraternities and sewing circles are part of civil society.

The concept was developed to create a framework that could handicap the odds of success of emerging Eastern European nations. In theory, countries with a well-developed civil society would be thought to have a better chance of building successful democracies compared to nations where such civil societies were not as strong. A nation with a well-developed civil society would be more likely to support democratic institutions; civil society would, in effect, provide the common structure and belief system that democracies need to function.

Although the concept makes intuitive sense, in practice, defining a civil society is difficult. There is a tendency to find democracies and then “discover” the civil society that exists to support the democracy.

On the other hand, some civil groups seem to undermine the development of democracy. Strong tribal groups, for example, have tended to undermine democratic development. It is argued that tribes should be excluded because they are like extended families. However, as this example shows, the idea of civil society isn't clear and it would seem that it falls into the "know it when you see it" area, which tends to fail under rigorous examination.

The concept of a Civil Society Coup was developed by Omar Encarnacion at Bard College. The elements of a Civil Society Coup are as follows:

- They are not instigated by the military but by society at large (civil society), which calls on the military to fulfill the will of "the people."
- The elected leader is seen as a threat to democracy. The leader exhibits dictatorial tendencies and there are concerns that the democratic system is in danger.
- The economy is usually performing badly and there is an undercurrent of unrest due to high unemployment and inflation.
- The leader's party or political group represents the best organized body in the country. This situation raises fears that, even with widespread discontent, it will be difficult to oust the current government at the ballot box.

Egypt under Muslim Brotherhood (MB) rule had all these characteristics. Recently, Venezuela and the Philippines exhibited similar patterns and experienced Civil Society Coups.

In the 2003 Venezuelan coup, labor strikes at PDVSA, the state oil company, led to widespread social unrest. Chavez was attempting to bring PDVSA under his control and this was seen as an affront among the middle and upper classes. A group of wealthy right-wing leaders announced a coup and persuaded the military to take Chavez hostage. However, the military, unnerved by the strong backlash against the coup by devoted Chavistas, relented and the coup failed. Essentially, Chavez's supporters were better organized and were willing to retaliate through violence to achieve their ends. From this point forward, Venezuela has not held a free and fair election. Chavez operatives regularly threatened marginal supporters with spending cuts and job firings, completely dominated the media, preventing opposition leaders from speaking, and physically threatened opposition supporters. Leaders within the Bolivarian movement darkly hinted that a Chavez loss at the ballot box would not necessarily mean he would leave office. A failed Civil Society Coup was clearly a bad outcome.<sup>1</sup>

In the Philippines, in 2001, widespread protests led to the ouster of President Joseph Estrada. The military installed his vice president, Gloria Arroyo, as the new leader. Although she managed to remain in office, her lack of legitimacy due to how she came to office undermined her presidency. She faced several violent protests from Estrada supporters during her tenure.

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<sup>1</sup> Unfortunately, President Bush immediately called the ousting "a victory for democracy." After Chavez was restored, Bush's initial support of the coup led to a severe deterioration of relations between Venezuela and the United States that continues to this day.

Although the record is rather small, in both cases, these Civil Society Coups did not lead to strengthened democracies. As we will discuss below, coups such as these open a Pandora's Box of potential problems.

### **Egypt's Political Problem**

Egypt was ripe for a Civil Society Coup. First, there are only two bodies in Egypt that have the organizational power to rule the country—the MB and the military. The military doesn't want the job; it prefers to act in the background in its own "state within a state." This means the strongest political body in the country is the MB. Second, the economy is in shambles and anyone in charge of the country faces a daunting challenge of making the economy work. Because the economy is weak, there is an underlying current of unrest caused by worries about jobs and poverty. Third, there were legitimate worries that Morsi was creating a dictatorship. From claiming power of authority over the judiciary to forcing through a new constitution and excluding opposition members from government, there were fears that the MB was moving toward a situation of "one man, one vote, one time." This led to the fourth condition, where opposition groups felt they could not rely on the next election to oust Morsi because, by then, it may become impossible to do so.

And so, a widespread group of anti-MB proponents, spanning secular leftists, Salafists, Coptic Christians and elements of the former Mubarak regime, began protesting against the Morsi government. As the protests mounted, the group petitioned the army to remove Morsi. On July 1<sup>st</sup>, the military issued a warning to the Egyptian president, saying that if he did not negotiate with the opposition for a broader government then he would be removed from power in 48 hours.

For various reasons, Morsi did not heed the warnings. First, it appears his supporters underestimated the scale and scope of the opposition protests. The MB measured the size of the opposition to its own supporters and concluded, inaccurately, that they had the upper hand. In fact, the opposition protests were larger. Second, Morsi thought he had a working arrangement with the military. His constitution preserved its rights and privileges and he was in regular contact with General Sisi, the Supreme Commander of the Egyptian Armed Forces. Sisi reportedly indicated the military was supporting Morsi until the very end. Third, Morsi believed the military had no interest in taking power because the general did not want to take on the task of improving the economy.

Clearly, Morsi miscalculated. The level of opposition was bigger than the president believed and the military, which had spent most of the past six decades opposing the MB, was not all that comfortable with its rule. However, it is also unclear if the military made the right choice.

First, the groups opposing Morsi are only unified in their goal of removing the MB from power. On almost everything else, they are divided. The liberal secularists disliked the steady drip of Sharia regulations the MB was implementing. The Salafists thought the MB wasn't moving quickly enough to make Egypt "Islamic." The Coptic Christians want to ensure they are not persecuted. The former elements of the Mubarak regime simply wanted to oust the MB and return to their former positions. It is not at all obvious how these four groups can coalesce into a working political body. In fact, there are even subdivisions within each of these groups.

Second, the lesson from other Civil Society Coups suggests the MB should continue to foment unrest. In Venezuela, internal divisions within the coup plotting group, coupled with evidence that the ousted president had diehard support, unnerved the military and led it to restore Chavez to power. In the Philippines, although Estrada was not able to return to power, his supporters weakened the Arroyo government and undermined its effectiveness. The MB has declared an *intifada* (loosely defined as ‘resistance’) against the new government until Morsi is restored. Thus, unrest is likely to continue.

Third, Civil Society Coups do not foster democracy; instead, the lesson they teach is that if people don’t support the government then the proper response is to protest until the regime fails. The ballot box no longer matters. Egypt runs the risk of turning Tahriri Square, the major public area in downtown Cairo, into a permanent “airing of grievances”<sup>2</sup> site. The better outcome would have been to keep the regime in power until the next elections. This would have preserved the transition to democracy and forced the opposition to create a working coalition against the MB.

### Signals to Other Parties

In American political discourse, there is a cottage industry that has developed which monitors the vacations and other recreational activities of the administration in power. During the coup, which was occurring during the Independence Day holiday, the president was reported to be golfing and the secretary of state was lounging on a sailboat. Another cottage industry has developed to defend the

leader’s recreation. Usually, one can safely ignore these reports as partisan sniping and counter-sniping.

However, in this case, the lack of concern emanating from Washington actually signals something important. Egypt just isn’t that essential to U.S. interests. Outside of creating a secure border with Israel and maintaining the Suez Canal, Egypt has little geopolitical impact on the region. Although Egypt was once the leading intellectual fount of Sunni Islam and created the framework for Socialist/Secular regimes in the Middle East, those roles have been supplanted by others. In effect, the behavior of the president and the secretary of state were consistent with Egypt’s relevance. We can expect the U.S. to keep an eye on Egypt but refrain from directly intervening as long as the military can perform the aforementioned roles. Since the military will likely ensure that these two goals are met, it is highly doubtful that aid will be cut, meaning that what happened in Egypt won’t be officially considered a “coup.”

In the region, Qatar and Turkey were supporters of the Morsi regime. Qatar appears to be simply trying to expand its influence whereas Turkey saw the MB as creating a new moderate Islamic state in a fashion similar to what the Justice and Development Party has built in Turkey. Both were critical of the U.S. for allowing the Morsi regime to fall. At the same time, the UAE and Saudi Arabia were uncomfortable with what the MB represented—a democratic alternative to an authoritarian Islamic government. Consistent with these positions, Qatar and Turkey supported the beleaguered Morsi regime financially while the Saudis and the UAE promised funding but failed to deliver. In light of recent events, these patterns have reversed.

<sup>2</sup> First described on the popular television show “Seinfeld” by Frank Costanza as part of the Festivus Holiday, where there is an annual “airing of grievances” against family members and others.

Israel, for the most part, is thrilled with the MB's removal. Although Morsi clearly saw that overtly supporting Hamas in the Gaza Strip would likely trigger a negative response from the U.S., Israel was never comfortable that Morsi would be reliable. Military control of Egypt will give Israel comfort that Egypt will maintain the status quo on the border; in fact, recent reports suggest there has been a crackdown on smuggling from the Sinai into Gaza in the aftermath of the coup.

For Jihadist groups, the lesson is that the West and others will never allow an Islamic group to gain political control through the ballot box. Ayman al-Zawahiri, the leader of al Qaeda, has already issued public statements indicating that true Islam and democracy are incompatible. The Taliban in Afghanistan is currently negotiating with the U.S. and others over a power sharing arrangement. After the events of Egypt, it will be less inclined to participate because it has evidence that it will never be able to retain power even if it wins elections. In effect, the events in Egypt will tend to radicalize these groups even further.

### **Ramifications**

The events in Egypt are potentially dangerous because they undermine the idea that elections work. It is possible that this Civil Society Coup will lead to a new constitution and a more inclusive form of government. Unfortunately, the recent history of other similar coups is not comforting in this regard.

At the same time, the history of currently established democracies is rife with wars and other periods of civil unrest. It is hard to create a democracy, which, by design, is majority rule, with a government and laws that protect minority rights. In the long run, what Egypt is experiencing may simply be part of that process.

For the markets, the most obvious outcome is that oil prices rise. However, we believe the Egyptian military has control of the Suez Canal, reducing the odds of a supply disruption. Longer term, we view the Egyptian coup as an element of the Arab Spring, which means that tensions will remain elevated. That fact will tend to keep oil prices higher than they would be in the absence of these conditions.

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