

Egypt's military adds new factory to industrial portfolio

Egypt's military signed a deal with a Chinese company to establish a car tire factory, further tightening its grip over the country's industrial sectors.

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CAIRO — Maj. Gen. Mohamed Said al-Assar, Egyptian minister of military production, recently announced the signing of a deal with the China POLY Group to build a factory to manufacture car tires in Egypt.

In a Dec. 14 statement, the ministry noted, “The factory aims to create millions of tires annually and open new industrial areas for the state,” stressing that the project is also geared toward decreasing imports, which reached \$186 million in 2018.

The ministry further asserted, “[The deal] is a confirmation of the ministry’s working strategy, in cooperation with international companies, to localize and transfer the latest technologies in various fields to companies and units affiliated with the ministry to contribute to the implementation of national development and service projects in the state.” The state-run Al-Ahram reported that the factory will be the first to manufacture tires in Egypt.

Over the past few years, Egypt's armed forces have expanded their investments. In addition to controlling military industries, they have acquired economic concerns in an array of sectors, including in the medical, tourism, iron, steel and construction sectors.

In August, Al-Monitor published a lengthy report on the military’s holdings in the tourism sector, with President Abdel Fattah al-Sisi transferring control of 47 state-owned islands in the Red Sea to the armed forces, declaring them “strategic lands of military importance.” Analysts and officials of major tourism companies saw the move as harmful to private sector companies, including local businesses reliant on tourists, especially resorts close to Hurghada. Many feared the presidential decree would lead to more taxes and other fees being imposed by the army as a condition for staying in business.

In one example of how the military's economic interests can be harmful to private sector businesses, in May Al-Jazeera revealed a decline in sales for privately held cement factories in Egypt, after the army established a factory in the city of Beni Suef in 2018. The military — which is exempt from taxes and “employs” conscripts as workers — sold its cement for four dollars less than the privately held industries sold theirs.

In a phone interview with Al-Monitor, Ayman al-Naggar, a professor of economics at the University of Al-Azhar in Turkey, said that the Ministry of Military Production being the signatory for the tire deal, rather than the Ministry of Trade and Industry, fits

the pattern of Sisi granting the army benefits, even at the expense of civilian economic investment.

“The Ministry of Trade and Industry is responsible for increasing the rate of trade and industry, establishing new factories and ensuring a sound competitive environment,” Naggar said. “A civilian company was supposed to establish the [tire] factory, as was declared in November, however, things changed. Suddenly it was the Ministry of Military Production that signed the deal, without any mention of the reasons behind it.”

Michael Knight, chairman of Mut Automotive, had announced on Nov. 8 that his company would undertake the tire project. Al-Monitor tried to contact Knight to inquire about the turn of events, but there was no answer.

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