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The Growth of the Military Economy in Egypt Since 2014: The Impact on Investment Dynamics and Investor Rights

Yomna Samy

Abstract

Since 2014, the military establishment has played an increasing role in the Egyptian economy across various sectors, with legislative and regulatory support enabling it to acquire public assets and wealth. This expansion has had dramatic repercussions for the Egyptian economy, particularly in the field of investment. Given the military's hegemony and the lack of a transparent, equitable investment environment or clear foundations for ownership, this paper seeks to answer the following question: How has the military establishment's dominance of the Egyptian economy since 2014 affected investment dynamics and investor rights? Using a descriptive analytical approach, in addition to relying on interviews with investors in various sectors, the paper concludes that the military's expansion into the economy has had negative consequences, resulting in the erosion of equal opportunities and competitiveness, the military's increasing control over economic resources, and the emergence of a set of complex interactions between the military establishment and the private sector characterised by replacement, opportunism, and crowding-out, amidst the rise of a new iteration of cronyism.

Keywords: Military Economy; Investors' Rights; Crony Capitalism; Competitiveness; Egypt

Introduction

In recent decades there has been a growing interest in the role of elites and power structures in directing the economy. The theory of crony capitalism constitutes a pivotal framework for understanding how elites linked to power centres are given economic opportunities on the basis of loyalty rather than competence. This framework is particularly important for understanding the impact on investor rights and investment dynamics in contexts like Egypt since 2014, which has seen an expansion of the military economy.

Crony capitalism refers to an institutionalised mode of economic organisation characterised by an entrenched, reciprocal relationship between business and market actors and ruling political elites. Anne Krueger laid the early foundation for the concept with her analysis of rent-seeking as an economic practice in which powerful groups seek profits through political influence rather than

productive efficiency.¹ The concept was later developed by theorists such as Mushtaq Khan,² Richard Robison, and Vedi Hadiz,³ who linked networks of political and economic influence in authoritarian regimes with the absence of free competition.

Crony capitalism has several distinct features, most importantly, the mutual benefit it offers to both the ruling political elite and business owners. This relationship goes beyond the provision of occasional bribes or preferential treatment for a particular class; it is a long-term strategic partnership in which the elite benefits from political loyalty and legitimacy, while the business class receives government privileges such as no-bid contracts and exclusive resources. These relationships produce a network of interests that is difficult to disentangle and grows increasingly complex over time. While Khan referred to this type of relationship as an institutionalised alliance between rent and power, Robison and Hadiz considered it a form of ‘modern oligarchy’ that reproduces itself in the market and the state.⁴ Additionally, the market is reshaped to be non-competitive and unfair, and economic power and wealth are concentrated in the hands of a few companies and individuals closely linked to the centre of power. Market rules are designed to serve this elite, undermining the principles of free competition and creating a monopolistic environment lacking transparency and accountability.⁵

In this context, legislation and regulations are used to offer certain groups privileges and flexible rules while imposing strict, arbitrary regulatory conditions on other actors. Vital resources such as land, licenses, and bank financing are allocated to a narrow elite. Certain entities are allowed to monopolise specific markets or vital sectors. Finally, this form of capitalism entails revolving doors, whereby retired government and military officials move into senior positions in private companies, ensuring the continuity and influence of crony networks.⁶

At the macro level, crony capitalism has multiple adverse implications, the most significant of which, according to Khan, is resource misallocation. Instead of resources being allocated based on economic efficiency and real market needs, they are directed towards projects or sectors that serve the interests of political and economic elites.⁷ Another negative consequence is the erosion of private property rights. Although crony capitalism may appear to support and promote private ownership, in fact it undermines it for non-elite investors. When an enterprise’s success is dependent on connections rather than clear rules, property rights may be infringed or violated by powerful entities. This can take many forms, from the revocation of licenses to unfair competition that pushes small and medium-sized enterprises (SMEs) out of the market to forced acquisitions, all of which generates uncertainty and unpredictability and discourages long-term investment.⁸

Crony capitalism also contributes to weak competition and market monopolisation, leading to the creation of monopolies or quasi-monopolies. Certain companies are given an unfair advantage or protected from competition, which in turn reduces incentives for innovation and leads to higher prices and lower quality goods and services for consumers, as well as barring new players from entering the market. The economy becomes fertile ground for corruption, which in turn fosters the development of crony networks. In this context, private investment declines. When investors realise that the market is unfair and that success depends on relationships rather than performance

and efficiency, they are reluctant to pump in new investments, especially given the high cost of access to resources, uncertainty in property rights, and the lack of equal opportunities.⁹

Crony capitalism is thus a framework for understanding the reciprocal relationship between political and economic elites, as the market is shaped to serve elite interests at the expense of transparency and efficiency. This pattern has been evident in Egypt since 2014, with the military's massive expansion into multiple economic sectors, supported by legislation that has bolstered its influence, with adverse impacts on the economy and investment. Accordingly, this paper seeks to analyse the impact of the military's economic dominance in Egypt since 2014 on investor rights and investment dynamics. It asks the following question: How has the military's economic dominance in Egypt since 2014 affected investment dynamics and investor rights? The study hypothesises that the rise of the military economy since 2014, supported by legislation and laws, has negatively impacted investment dynamics and investor rights, creating an unequal, non-competitive economic playing field.

This paper adopts a descriptive analytical approach to study the impact of military hegemony on investment dynamics and investor rights in Egypt. This approach involves collecting and analysing data to examine the relationships between variables, allowing conclusions to be drawn and interpreted.¹⁰ This paper uses this approach to track the growth of the military economy in Egypt since 2014 and analyse its implications for the investment environment by linking data and the theory of crony capitalism. In addition, the paper relies on nine interviews with local investors from various sectors, including real estate, contracting, livestock, heavy industries, technology, and the construction materials industry. These interviews were conducted in February and March 2025 via telephone. Interviewees, whose names have been withheld for security and political considerations, gave their consent for the use and publication of the content of the interviews in this study. The interviews explored the challenges facing investors and sought to assess the impact of the military's dominance on participants' business activities and investment opportunities. They touched on topics including the impact of control over public assets and land, an analysis of the legal privileges given to the military, an examination of the impact of crony relationships, and an analysis of the modes of interaction between the military and the private sector.

The paper is divided into four main sections. The first reviews the evolution of the military economy in Egypt over several stages. The second section turns to an analysis of the military establishment's dominance over investment; divided into two parts, it first examines how an enabling legislative and regulatory structure has affected investment opportunities and then looks at the implications of the military's control over land and public assets. The third section of the study analyses the modes of interaction between the military establishment and investors in various sectors. The study concludes with a fourth and final section that analyses the impact of reconstituted patronage relationships on the investment environment in Egypt.

This paper is a contribution to the extensive literature on the military establishment's control of the Egyptian economy, particularly since 2014. Much research¹¹ has traced the Egyptian army's economic and military rise since July 1952, when the military establishment began consolidating its power over the levers of the state, both politically and economically. The literature concludes

that the military establishment successfully navigated critical transitional moments that could have undermined its influence but instead served to tighten its grip on the state, paving the way for its continued economic expansion in the post-2014 period.

Other research¹² has focused on the military establishment's growing economic role since 2014 in strategic sectors, in light of the legal and regulatory accommodations that have given its projects a competitive edge over the private sector. These studies point to the negative repercussions of this expansion, among them a dysfunctional competitive environment, the erosion of transparency and accountability, and the difficulty of evaluating the performance of military projects due to the lack of parliamentary or civilian oversight. There are also implications for property rights and the efficiency of resource allocation, which are fundamentally linked to investor rights and the attractiveness of the national economy for investment.

Some literature¹³ has also analysed the development of the legal framework regulating investment in Egypt and reviewed the impact of government policies on investor rights, including the role of regulatory bodies and government institutions in ensuring the enforcement of laws and fostering a stable, fair investment environment. Other research has comprehensively assessed the investment environment in Egypt, focusing on the strengths and weaknesses of the legal and regulatory system and its impact on investment attractiveness, as well as efforts to improve corporate governance as a key mechanism for protecting investor rights.

Despite these contributions, no research has focused in detail on the concrete impact of the military economy's expansion since 2014 on investor rights and investment dynamics. This paper aims to bridge this gap by providing an in-depth analysis of this impact across various sectors to understand the challenges investors face and assess the impact of the military's dominance on their business activities and investment opportunities.

The Evolution of the Military Economy in Egypt

In his analytical study of the Egyptian military economy, Yezid Sayigh writes that its true origins date back to the aftermath of the July 1952 coup, when President Gamal Abd al-Nasser began consolidating structural and legislative privileges for the military by creating fully subsidised military factories and eliminating civilian oversight. At this stage, these factories produced mainly equipment, weapons, and ammunition. These privileges gave the armed forces financial and organisational independence, enabling them to later develop and manage their own economic resources.¹⁴ When Anwar al- Sadat assumed the presidency, the Arab Organisation for Industrialisation was established, which began producing civilian goods like televisions, washing machines, and stoves. It later expanded production under Field Marshal Abd al-Halim Abu Ghazala.¹⁵

Since 1981, the Egyptian military economy has undergone successive transformations, starting with President Hosni Mubarak's backing for policies that made the military establishment self-supporting. Implemented to secure loyalty within the military establishment amidst austerity and declining military spending, these policies enabled the military to gradually expand its economic

activities, while preserving a set of privileges such as tax exemptions, preferential access to public lands, and the exploitation of conscripted labour. This transformation was spearheaded by Abu Ghazala, who ushered in a new phase in which the armed forces established firms, factories, and farms to meet their food and pharmaceutical needs. Soon enough, they expanded into civilian sectors like real estate and tourism.¹⁶

From 2000 to 2011, the military's economic presence strengthened, as did that of the coterie of businessmen around the Mubarak regime. This created tension between the two elites. The military feared its own companies would be privatised, and it engaged in limited confrontations with the new economic players. The January 2011 uprising gave the military an opportunity to reposition itself. It subsequently removed the economic elite associated with Mubarak and pushed through new laws that secured its economic gains and insulated it against accountability and oversight, thus allowing it to extend its influence.¹⁷ During the transitional period led by the Supreme Council of the Armed Forces, numerous pieces of legislation were passed that shielded the military's economic activities from any popular oversight.¹⁸ Under President Mohamed Morsi, a tense, fragile economic consensus prevailed between the presidency and the military, particularly when the Morsi government attempted to take over the administration of the Suez Canal and land reclamation projects from the military, further heightening its sense of peril.

With Abd al-Fattah al-Sisi's assumption of power in 2014, an unprecedented phase of military economic expansion began. The military became a pivotal partner in development, leading major projects and participating in the formulation of public policies.¹⁹ Its economic activity grew to include infrastructure, housing, roads, food industries, agriculture, mineral resources, aquaculture, technology, and even the media. Through entities such as the Engineering Authority and the National Service Projects Organisation (NSPO), thousands of projects were contracted directly absent any public competition. At the forefront of these projects were the Suez Canal extension, social housing projects, and the construction of the New Administrative Capital and several other cities (Galala, New Mansoura, and East Port Said). The National Company for Road Construction was also established to build, manage, and collect fees for new road networks, while the Future of Egypt Authority for Sustainable Development became a major player in agricultural and land reclamation projects. In 2024, it even attempted to enter the realm of strategic commodities imports as an alternative to the General Authority for Supply Commodities, monopolising the import of eggs.²⁰

This expansion, according to Sayigh and Shana Marshall, brought tangible material achievements, but it also exposed several structural problems that impacted the investment environment, transparency, and market competitiveness. The military establishment came to play a rentier economic role, relying more on the control of resources and bureaucratic decisions than on value creation or innovation. Instead of competing, military entities control contracts and protected fiefdoms, which are defended through laws and continually expanded. A key challenge resulting from this expansion is the lack of transparency. The financial returns generated by military economic institutions do not pass through the public treasury and are not subject to parliamentary or civilian oversight bodies. Nor are reports and data from these entities published,

making it extremely difficult to assess their true size. As a result, the military has become an economic entity not subject to competition, creating an uneven field for other market players.²¹

Egypt's military economy exemplifies what Khan describes as the 'alliance of rent and power' in crony capitalism, whereby elites allied with the state obtain institutional privileges at the expense of market rules.²² As Sayigh and others point out, the privileges the military has enjoyed since 1952, such as financial and legislative independence, laid the foundation for its growing economic penetration. Since 2014, its status has been further cemented through direct transfers, laws designed to create monopolies, and the allocation of resources based on loyalty rather than competence, resulting in severe distortions in resource allocation and the erosion of property rights and fair competition.

The Military Establishment's Control over Investment

Amr Adly argues that the military establishment's growing political and economic role in Egypt since 2014 came in response to the regime's need to bolster its legitimacy and spur economic growth amidst declining private investment driven by local and foreign businessmen's fear of instability. The regime thus relied on the military and its companies to achieve rapid economic recovery and political stability.²³ But questions have been raised about the implications of this expansion for resource allocation and investor rights. This section of the paper discusses two aspects of the military establishment's dominance over investment since 2014: first, the legislative and regulatory enabling of the military economy and second, the military's control of public land and assets and its consequences for private ownership.

The impact of enabling legislation and regulation

The enabling legal framework for the military economy has evolved continuously throughout the successive presidential administrations that have governed Egypt since 1952. The foundations were laid in the Nasser era: the military establishment was exempted from taxes, fees, and customs duties; Ministry of Defence warehouses were exempted from inspection by the Ministry of Finance; and the military economy was protected from the financial audits to which other sectors were subject. Subsequent statutory amendments under Sadat and Mubarak affirmed and expanded these exemptions, strengthening the military's economic independence and further immunising it against the disclosure of information to civilian authorities or external audits of its financial affairs. Additionally, they gave the military greater control over public assets such as land, granted the Ministry of Defence the authority to hand out no-bid contracts, and generally expanded the scope of its economic and commercial activity.²⁴

Since 2013, the armed forces' powers, exemptions, and privileges have been reaffirmed and their scope expanded. The ceiling for no-bid contracts was raised,²⁵ which applies to all contracts issued by military agencies to civilian suppliers and subcontractors, including for government-funded public works. The Armed Forces Land Projects Authority was granted the right to use its assets to form joint ventures with local or foreign companies.²⁶ To take just one example, the

decision allowed the NSPO to establish the National Company for Fisheries and Aquaculture (NCFA) in November 2014, after which presidential decrees were issued allocating land to the company. In 2019, land from the Ghalioun project and Toshka was allocated to the company.²⁷

According to an investor in the aquaculture sector, the establishment of the NCFA had adverse impacts on the fish market, leading to a significant increase in fish farm rents; in the event of non-payment, the farms are seized. Feed and electricity prices also increased. Since military firms are exempted from taxes and rely on free labour, the NFRC was able to undercut the prices of small- and medium-sized private farm owners, who racked losses and debts, ultimately leading to the closure of many farms and spurring investors to exit the market.²⁸

Additionally, military tax exemptions were extended. When the sales tax was converted into a value-added tax in 2016, military entities were once again exempted.²⁹ The president also expanded the definition of strategic areas of military importance, granting the Ministry of Defence exclusive commercial privileges in those areas.³⁰ Legal jurisdiction, too, is a pillar of the military economy: military entities and personnel are excluded from the scope of civilian laws and courts, which means the military's economic activities operate in an opaque legal framework. Conversely, a broad range of civil cases are referred to the military judiciary.³¹ The Code of Military Justice does not cover civilian economic activities, denying civilian investors the means to litigate in the event of a dispute with military entities, thereby limiting their investment opportunities and weakening their negotiating position when concluding contracts or claiming rights.³² As a result of these laws and decrees, the military economy enjoys special privileges and financial exceptions that have given it commercial advantages and powers and protected its activities from evaluation, accountability, and audit.

A real estate investor said that since 2014, numerous laws and decrees have been enacted that have granted the military prerogatives and privileges, enabling it to operate forcefully and freely regardless of market laws and investor interests. For an investor, attempting to compete with the military is a losing battle. He added that military enterprises are not subject to the business, tax, and customs laws with which private sector investors must comply, resulting in an uneven playing field for investment.³³

The impact of military control of public lands and assets

The armed forces have broad powers to control the use of public desert lands in Egypt. According to Law 143/1981 regulating the use of desert lands, no plot of desert land may be allocated without the approval of the minister of defence (in addition to the petroleum and antiquities ministers, although actual power remains in the army's hands). Under the same law, the defence minister has the authority to classify land for military or strategic use and to prevent its acquisition or change of purpose.³⁴ Since some ninety per cent of Egypt is desert, this gives the military effective power over the management of public lands, including allowing it to intervene in stages subsequent to land allocation for economic uses. For example, investors often need approval from the Ministry of Defence for issues related to building height and distribution on land used for various purposes.³⁵

A construction investor confirmed that land is the biggest problem facing investors in various sectors, given that the military controls ninety per cent of the land. While the military has the authority to allocate land and use it for its own projects, investors must deal with high land prices and the lack of large or equal investment opportunities, especially since the army enjoys all privileges and accommodations.³⁶

In the same context, Presidential Law by Decree 223/1981 established the Armed Forces Land Projects Agency, giving it the power to manage and sell lands owned by the armed forces and keep the financial returns necessary to build military sites and facilities to replace those allocated or sold for non-military purposes.³⁷ This law was amended by Presidential Decree 446 in late 2015, which gave the authority the right to establish commercial firms, either individually owned or in partnership with national or foreign private capital. This step created the necessary formal and legal framework to enable the military to use the lands it owns for private investment projects, specifically in the Suez Canal zone and the New Administrative Capital.³⁸ In addition, the military establishment holds full regulatory powers related to land use for any purpose in Sinai, pursuant to Law by Decree 14/2012, which established the Sinai Development Authority, affiliated with the armed forces, and granted it full regulatory powers.³⁹

In addition to the military's broad legal powers in the management of public lands, there is another, less formal, mechanism of control. Namely, officials with military backgrounds occupy senior positions in civilian bureaucracies that manage public lands allocated for investment or development purposes, such as the Urban Development Authority, the Agricultural Development Authority, the Tourism Development Authority, and the Industrial Development Authority. Retired generals are also heavily represented at the governorate and lower administrative levels of government, such as districts, which are responsible for managing public lands within the governorate's borders, whether agricultural or urban.⁴⁰

The expansive legal and administrative powers exercised by the military in public land management have raised the cost of investment for the private sector, both by creating more red tape and by imposing formal and informal rents in exchange for land allocation. The lack of clarity in legal and administrative rules has heightened the ambiguity around land rights and tenure, especially since the opacity is often justified by national security considerations. This has hampered opportunities for urban expansion and investment in vital sectors such as agriculture, tourism, and manufacturing, making state management of public lands a crucial factor in restricting access to them and inhibiting economic growth.⁴¹

The military's grip on land and natural resources has given rise to a set of monopolies, including in strategic industries like cement, marble quarrying, salt production, and white sand and phosphates exploitation, as well as a share of gold exploration since 2013.⁴² For example, since the military began managing quarries for the raw material for cement in 2014, its activity in the sector has grown, culminating in the opening of several factories and production complexes in 2018, most notably the Arish Cement Complex in the Beni Suef governorate.⁴³

These measures have tightened the military's control of the cement sector, said one investor in the industry. Increased production also led to a drop in prices, entailing heavy losses for factories

and investors. The military takeover of the sector also coincided with the military's control of the construction and contracting sector. Military projects thus came to rely primarily on military factories for cement, resulting in declining cement sales and profits, which forced many companies to close.⁴⁴

In a related development, a factory owner in the marble and granite sector said that because of the military's control of quarries, fees for using factories and workshops doubled within a brief period. The military also established production complexes near quarries in the Red Sea, Beni Suef, Aswan, and Ain Sokhna, which created numerous problems for private firms, including the further complication of licensing procedures, the closure of some factories, restrictions on the use of Nile water, and the suspension of export approvals.⁴⁵

Modes of Interaction between the Military and Investors

As the military establishment has sought to expand its economic role since 2014, the relationship between the military and private sector investors has assumed multiple, complex forms, most of which entail predation, replacement, and crowding out. According to some accounts, military entities, particularly retired officers, pressure startups with the goal of obtaining an ownership stake or representation on the board in exchange for facilitating procedures for licensing, credit, and government benefits. This pattern of engagement reflects a predatory dynamic between the military establishment (and its various agencies) and economic actors in the business sector, according to Ishac Diwan, Nadim Houry, and Yezid Sayigh.⁴⁶

A technology investor indicated that his firm came under just such pressure from some members of the military establishment after the company ran into licensing and tax problems, which it was working to resolve. These circumstances ultimately led to the closure of the company and the investor's withdrawal from the technology sector.⁴⁷ The military establishment also confiscates government procurement contracts from private and public civilian companies rather than competing with and outperforming them. This means that although the Ministry of Defence and various agencies provide the majority of their services in a routine, mechanical way; devoid of innovation and incapable of competing in local markets, they still secure government contracts. Moreover, the Ministry of Military Production provides the bulk of its civilian services in the areas of public infrastructure and housing by acting as a middleman for private sector contractors.⁴⁸

In addition, the military establishment seeks to acquire and defend direct stakes in economic activities, putting it in competition with the private sector and investors, particularly in the media, steel, cement, and iron industries. Its expansion into the iron and steel sector is exemplary of this trend. Since 2016, it has acquired factories such as Solb Misr and Beshay Steel, and in 2018, the NSPO acquired a ninety-five per cent stake in Egyptian Steel, giving it effective control of more than half of this strategic sector.⁴⁹

An investor in the steel sector explains that the military establishment seeks to control steel, cement, and building materials so that the army will not need to rely on civilian companies for its construction projects. It also exploits the economic hardships experienced by some firms to seize

them and expand at their expense. Indeed, the army has increased its share of the construction materials market and tightened its grip over the sector, crowding out many civilian investors and companies.⁵⁰

The consequences of this situation on local markets have not been positive, to say the least. The armed forces often exploit economic and political shifts to impose their control over and monopolise new sectors. For example, in 2016, the NSPO and other military entities took advantage of the sudden lifting of all customs duties on chicken imports to flood local markets with large quantities of imported chicken, undermining private companies and investors working in local poultry production. In response to their protests, the Ministry of Supply and Internal Trade clarified that it had previously asked ‘sovereign entities’—later identified as importing agencies affiliated with the Ministry of Defence—to import chicken to meet local demand before Ramadan in June 2017. These imports, however, resulted in a glut that led to depressed prices for the rest of the year, sparking further protests from the Egyptian Poultry Producers Association.⁵¹ This case demonstrates that the military establishment’s market interventions are typically aimed at maximising profits and securing the interests of its officers, with no real consideration given to the impact on market stability or the future of the private sector.

One poultry investor said that flooding the market with large quantities of imported chicken forced local producers to lower their prices, despite rising feed costs, for which they incurred significant losses. Moreover, because military products are exempt from customs fees and taxes, they are cheaper, which prompts consumers to purchase them, thus exacerbating producers’ losses and leading to a recession in the local market.⁵²

At the same time, the burgeoning economic role of the military establishment raises questions about how it finances its projects, given the opacity of its funding sources. Are these projects self-financed from the military establishment’s own resources or do they rely on bank loans? If the latter, the military is yet another public entity crowding out the private sector in bank financing, coming in behind the government, which already commands the largest share of domestic credit to cover the budget deficit and service the public debt. This situation poses an additional challenge for investors, as it reduces their access to necessary financing, with negative implications for the business environment and the private sector’s ability to grow and expand.⁵³

In addition, the military establishment’s objectives in its relationship with the private sector appear contradictory. On one hand, it seeks to benefit from the private sector’s capital and technical expertise, particularly in megaprojects and industrial zones. On the other hand, it shows apparent support for SMEs, in line with official rhetoric and the demands of international institutions. The real goal, however, remains generating income that serves the interests of the ruling regime, along with capturing rents and strengthening crony networks while continuing to build its own economic base. Whereas prior to 2014, its interests partially intersected with the private sector, its subsequent expansion into the economy radically transformed the nature of the relationship. The fundamental problem lies in management and partnership patterns, not solely in the scale of the military’s activity.⁵⁴

The Impact of Reconstituted Cronyism on Investment

Under Sadat, political and economic relations revolved around ‘openness’ (the *infitah*), whereby actors took advantage of the liberalisation of trade and the economy since 1974. The Mubarak era, by contrast, saw the emergence of a class of elites drawn from the ruling National Democratic Party and businessmen allied with the regime. Since 2014, these relationships, along with the keys to power and economic opportunities, have been concentrated in the hands of the military. One of the most significant outcomes of the shift in relations between the military and the private business sector during the Sisi era has been a reordering of political connections that gave the business sector access to resources, opportunities, and economic privileges. These include trade protection, subsidised energy, access to state land, better access to financing, tax perks, preferential access to government contracts, and easier licensing requirements.⁵⁵ The evolution of the relationship between the military and the private business sector in Egypt demonstrates what Khan, Robison, and Hadiz describe as an ‘institutionalised alliance between rent and power,’ an extension of a pattern of ‘modern oligarchy,’ in which the market and institutions are reshaped to serve closed elite networks. The military establishment, which has become the principal intermediary between the state and the business sector, has reshaped the rules of access to economic resources, opportunities, and privileges through mechanisms based not on competition or efficiency, but rather on relationships of loyalty and patronage networks, as the literature on crony capitalism suggests.⁵⁶ By monopolising major government contracts without competition and then farming them out to subcontractors—typically companies with prior ties to the military or indirectly owned by retired officers.⁵⁷

A real estate investor explained that since 2014, the army has taken on a huge number of construction projects, whether in roads, housing, or other fields, but its capabilities, particularly those of the Engineering Corps, are limited and it cannot carry out these projects alone. The corps thus distributes contracts and tenders to subcontractors, in exchange for a commission or fee paid to the armed forces.⁵⁸

In this regard, Marshall points to shifting patterns in the relationship between the military establishment and the business sector and investors. Since 2014, the military establishment has shown a clear preference for SMEs when awarding subcontracts for public works. In general, the army appears to have sought middle-class support for the Sisi administration and control over SMEs ensures that they will not aspire to political and economic influence, as was the case with businessmen before the revolution. However, a closer examination reveals that many of the favoured subcontractors had previously worked for the military, and some companies were fronts or shell companies (lacking the relevant skills and capacities), perhaps established by military officers to win contracts that could then be sold for a profit. Meanwhile, the military establishment has kept big businessmen at arm’s length, turning to them only when it needs capital, technical know-how, and access to international markets for major construction and industrial projects.⁵⁹ This is one manifestation of the crony economy.

One contractor explained the army's tender process for contracting projects: the winning company is selected in consultation with the military before the bidding process begins. Companies with strong ties to the military are the ones who win bids and contracts, while others are ignored, according to the contractor.⁶⁰

When the military establishment was subsequently forced to partner with large companies such as Elsewedy and Orascom, it did so in a way that ensured its complete control over the contracting cycle, without allowing these companies to be politically or economically empowered.⁶¹ This does not constitute a competitive partnership, but rather a functional use of the resources and expertise of the private sector within a system entirely governed by the logic of cronyism.

This concentration in the hands of the military establishment constitutes an erosion of property rights. Investment opportunities become conditional on loyalty, thus reducing the chances for new investors to enter the market and strengthening the monopoly of certain actors over economic opportunities and returns, coupled with a near-total absence of mechanisms for accountability or rules of fair play.⁶²

Generally speaking, the military establishment has relied on patronage networks formed since 2014 to complete major projects that it cannot implement on its own. Economic opportunities and privileges have been concentrated in the military establishment and its private companies, with contracts being awarded to firms that have previously cooperated with the army or act as fronts for military officers or their relatives.⁶³ This has made it onerous and complicated for investors, new or otherwise, to enter the market and find economic opportunities and privileges. It has also bolstered the military establishment's control over resource allocation and the distribution of opportunities and returns, allowing it to shape economic relations to serve its interests and its economic hegemony.

Conclusion

This paper shows that the significant expansion of the military's economic role in Egypt since 2014, supported by a broad legal and legislative framework, has led to structural shifts in the investment environment, with adverse impacts on investor rights and market dynamics. The interviews with local investors made it clear that this expansion has reshaped market rules to serve the interests of a specific group, undermining private property rights and weakening equal access to public resources and assets. This, in turn, has created an investment environment characterised by monopoly and unfair competition.

The study also demonstrated that this expansion entailed not only structural effects, but also fostered the emergence of new crony networks that reorganised the relationship between the state and investors, entrenching patterns of exclusion and unequal competition. This analytical approach offers evidence of the mechanisms proposed by crony capitalism theory for understanding the relationship between political influence and economic privileges, particularly in authoritarian contexts. Accordingly, the paper indicates the need to reconsider the role of the military establishment in the national economy, including by enhancing transparency and rehabilitating the

principles of good governance and fair competition, as a prerequisite for stimulating investment and promoting sustainable development.

About the Author

Yomna Samy is a writer and researcher in political economy.

Note

Artificial intelligence—specifically Google's Gemini program—was used in the initial stages of this research to find primary references and broaden the scope of the study. It was also used to enhance the wording of certain sentences and paragraphs.

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¹ Anne Krueger, 'The Political Economy of Rent-Seeking,' *The American Economic Review* 64, no. 3 (1974): 291–303.

² Mushtaq Khan, 'Rent-Seeking and Economic Development: An Introduction,' in *Rents, Rent-Seeking and Economic Development: Theory and Evidence in Asia*, ed. Mushtaq Khan and Kwame Sundaram Jomo (Cambridge University Press, 2000).

³ Richard Robison and Vedi Hadiz, *Reorganising Power in Indonesia: The Politics of Oligarchy in an Age of Markets* (Routledge, 2004).

⁴ Ibid., 187–197; Mushtaq Khan, 'Political Settlements and the Governance of Growth-Enhancing Institutions,' research paper, School of Oriental and African Studies, University of London, 2010, 1–140.

⁵ Robison and Hadiz, *Reorganising Power in Indonesia*, 187–197.

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