



Egypt in Transition

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Summary

On February 11, 2011, President Hosni Mubarak resigned from the presidency after 29 years in power. For 18 days, a popular peaceful uprising spread across Egypt and ultimately forced Mubarak to cede power to the military. In the wake of Mubarak's resignation, a Supreme Council of the Armed Forces (SCAF)—made up entirely of military officers who enjoyed leading positions under Mubarak—has exercised executive authority directly and via an interim cabinet. The SCAF oversaw a March 2011 referendum that approved amendments to Egypt's constitution, issued a constitutional declaration, and has also issued new laws on the formation of political parties and the conduct of parliamentary elections. The amended constitution lays out a transition framework in which the elected People's Assembly and Shura Council will, in conjunction with the SCAF, select members for a 100-person constituent assembly to draft a new constitution subject to a referendum.

How Egypt transitions to a more democratic system in the months ahead will have major implications for U.S. foreign policy in the Middle East and for other countries in the region ruled by monarchs and dictators.

This report provides a brief overview of the transition underway and information on U.S. foreign aid to Egypt. U.S. policy toward Egypt has long been framed as an investment in regional stability, built primarily on long-running military cooperation and sustaining the March 1979 Egyptian-Israeli peace treaty. Successive U.S. Administrations have viewed Egypt's government as a moderating influence in the Middle East. U.S. policy makers are now grappling with complex questions about the future of U.S.-Egypt relations, and these debates are likely to influence consideration of appropriations and authorization legislation in the 112th Congress.

Contents

Egypt in Transition: The Military and Muslim Brotherhood Forge a Tentative Trail to Civilian Rule.....	1
Domestic Politics: Islamists in Parliament	3
Domestic Politics: Egypt’s 2012 Presidential Election	4
The Economy: Urgent Need for International Lending	4
Foreign Policy: Relations with Israel.....	5
Egypt’s Role as a Peace Broker?	5
Security in the Sinai Peninsula.....	6
Islamists and Israel.....	6
Foreign Policy: U.S.-Egyptian relations	7
U.S. Foreign Aid to Egypt Since the February 2011 Revolution	8
Egypt’s Raids on NGOs and Possible Cuts to U.S. Aid	9
U.S. Aid to Egypt: Options for Congress	10

Figures

Figure 1. Map of Egypt.....	2
-----------------------------	---

Tables

Table 1. U.S. Assistance to Egypt, FY2010-FY2012.....	11
Table 2. U.S. Foreign Assistance to Egypt.....	11
Table 3. U.S. Foreign Assistance to Egypt, 1946-1997	12

Contacts

Author Contact Information.....	14
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Egypt in Transition: The Military and Muslim Brotherhood Forge a Tentative Trail to Civilian Rule

To date, Egypt's year-old transition from military to civilian rule has been anything but smooth. Popular protests, sectarian violence, and clashes between police and demonstrators have all at one time or another threatened to derail the process. Since the resignation of former Egyptian President Hosni Mubarak last year, nearly 800 people have died as a result of constant political unrest. Many indicators suggest that Egypt is far worse off economically now than a year ago. In this tense political atmosphere, minor disputes can trigger major unrest, and many analysts are cautiously watching Egypt's domestic politics for signs of potential instability.

However, it appears that in the short term, the two most powerful forces in Egyptian politics—the victorious Islamist political parties led by the Muslim Brotherhood and the ruling Supreme Council of the Armed Forces or SCAF—are negotiating, often behind the scenes, to bring about a transition to civilian rule by the summer of 2012. According to the latest transition timeline (which has changed multiple times in the past year), in the months ahead, the new Islamist-dominated People's Assembly will elect a 100-person Constitutional Assembly, which will then draft a new constitution. Should this document be written and then approved by popular referendum, presidential elections will be held in the summer of 2012, though the presidential campaign and the constitutional drafting will most likely overlap due to the short time allotted for each. If presidential elections run smoothly and the process goes as planned, Egypt's military will then step aside from day-to-day governance, and a civilian administration will resume executive authority, as defined by a newly revised constitution.

This SCAF-Muslim Brotherhood understanding is the direct result of political brinksmanship by both sides that had narrowly avoided unleashing prolonged mass unrest in November 2011. That month, SCAF spokesmen had attempted to interfere with the appointment of members to the constitutional assembly, a privilege specified for parliament according to the March 2011 constitutional referendum. The Muslim Brotherhood, which had anticipated an electoral victory and perceived the SCAF's move as a threat to their own power, responded by bringing tens of thousands of protestors back into the streets of Cairo on November 18. A day later, Islamists withdrew from the demonstrations content with their show of strength, but thousands of other Egyptians continued protesting, clashing with police when the latter attempted to clear Tahrir Square. Police-protestor confrontations then dramatically escalated, resulting in several deaths, condemnation of the SCAF, and a subsequent concession by the military to accelerate the timetable for transition to civilian rule from 2013 to the summer of 2012. The SCAF's concession combined with the start of elections cooled public tensions.

This key episode demonstrated how the SCAF had clearly miscalculated the degree of opposition to any drastic changes to the transition plan, and the events of November-December clearly indicate that their room for maneuver is limited. Moreover, this new timetable aligns with public expectations. According to Gallup polls, 82% of Egyptians believe that the military will relinquish power to a civilian government after they elect their next president and a 63% majority think it would be bad for the military to remain involved in politics after the presidential

election.¹ Furthermore, nearly 9 in 10 Egyptians say delaying the presidential election, expected to take place before June 30, 2012, would be a bad thing for their country.

Figure I. Map of Egypt



Source: Map Resources, adapted by CRS.

In the months ahead, SCAF-Brotherhood agreement over the powers of the military once civilian rule is established will be critical to stabilizing Egypt's domestic politics. According to former President Jimmy Carter, who met with Field Marshal Hussein Tantawi in January 2012, "I don't think the SCAF is going to turn over full responsibility to the civilian government. There are going to be some privileges of the military that would probably be protected." Reportedly, both sides are negotiating the terms of immunity for the military for deaths that occurred at the hand of security services following former president Hosni Mubarak's resignation in February 2011. SCAF may desire that all current and retired military officers be tried only in military courts for alleged crimes committed during the transition. In order to improve its public perception in the midst of crucial behind-the-scenes negotiations, the SCAF announced that the Emergency Law, which it extended until the end of June 2012, would be applied only to cases of "thuggery." It also

¹ "Egyptians Expect Military to Hand Power to Elected Gov't," *Gallup*, January 25, 2012.

released hundreds of detained protestors and a prominent blogger and critic of the military (Maikel Nabil).

Overall, the exact nature and details of the separation of powers in Egypt's emerging political system are unclear. Going forward, the military may retain certain powers after the transition is complete, particularly in the realms of national security, war powers, foreign affairs (specifically Egypt's relationship with Israel), and the defense budget. These powers may either be enshrined constitutionally or assumed as extra-constitutional principles. The newly elected People's Assembly may create a special limited national security committee (called the National Defense Council) that oversees the details of the defense and intelligence budgets with only the full Parliament able to review the total size of the military budget.² The status of other military interests, such as their vast land holdings and corporations, is unclear.

Domestic Politics: Islamists in Parliament

On January 23, the People's Assembly held its inaugural session following what many international observers have deemed to be a somewhat successful, though not perfect, election for the lower house of parliament known as the People's Assembly. Of the 498 elected seats, Islamists of varying sorts control nearly 70%, with the Muslim Brotherhood's Freedom and Justice Party (FJP)-led Democratic Alliance controlling the most at 47% (235 total). The Islamist Alliance-list led by the Salafist Nour Party came second with 25% (125 seats), followed by the Wafd at 8% and the liberal Egyptian bloc party list at 6.8%. The SCAF appointed 10 seats (mostly women and Coptic Christians). With an overwhelming majority of seats, most analysts anticipate that many legislative issues will be subject primarily to intra-Islamist competition between the Muslim Brotherhood and the Salafists. Only 12 women, some of whom were appointed, are serving in the People's Assembly.

The FJP's strong electoral showing will allow it to mostly frame the agenda for parliament. The Speaker of Parliament is Brotherhood member Saad al Katatny, who previously chaired the organization's parliamentary bloc. FJP members chair the Foreign Relations Committee and Defense and National Security Committee. Committees of planning, industry, economy, manpower, Arab affairs, housing, culture, transport, human rights, health, legislation, education, complaints, and religious affairs also are now headed by MPs directly affiliated with the Muslim Brotherhood or either parties in the Democratic Alliance.³

Salafists⁴ are in the opposition, as the Brotherhood has enough support from smaller parties to keep them in the minority. Salafists, who take a conservative, literalist approach to interpreting the Koran, are expected to focus on infusing Islam into domestic and foreign policies. A Nour party member is chairman of the Education and Scientific Research Committee and the Economic Affairs Committee.

² "In Egypt, Signs of Accord Between Military Council and Islamists," *New York Times*, January 22, 2012.

³ *Gulf News*, in English, February 1, 2012.

⁴ Egypt's Salafi movement aims to transform post-Mubarak Egypt into an Islamic state by making Islamic Shari'ah law the main source of legislation in the country. Prior to the 2011 revolution, the Salafis avoided politics and instead focused on preaching, running social programs and promoting their strict interpretation of Islam through their network of mosques and satellite television channels. However, Salafis have moved into the political arena and embraced political activism as a way to spread Islamist ideology. See, "OSC Report: Egypt-- Guide to Key Salafis and Groups," *Open Source Center*, Document ID# GMP20111207372001, December 7, 2011.

Many experts expect the FJP to differentiate itself from the Salafist opposition by being more pragmatic, especially when it comes to the economy. The party may focus on promoting private investment, recovering lost revenue from land deals reached during the Mubarak era, creating jobs, boosting the agricultural sector, and reducing income inequality through redistributive tax policies. However, many Islamists from both the Muslim Brotherhood and the Salfist Nour party share general goals of inserting certain Koranic prohibitions into civil law, such as bans on interest-based banking and consumption of alcohol. Though both sides may differ on the implementation, according to one expert, “no matter how generously one interprets the sharia, certain prohibitions are unavoidable -- and the Brotherhood's parliamentarians vow to push those prohibitions into law.”⁵

Domestic Politics: Egypt’s 2012 Presidential Election

Presidential elections are, according to the SCAF, to be held by the end of June 2012. No official date has been set but candidates may start to register on March 10. A civilian advisory panel has recommended that the election be set for May 16. A candidate must be endorsed by at least 30 members of parliament or 30,000 eligible voters. Potential frontrunners include former Arab League Secretary General and former Egyptian Foreign Minister Amr Moussa; Abdel Moneim Abul Fotuh, a former member of the Muslim Brotherhood; and Ahmad Shafiq, the last prime minister to serve under Mubarak.

The Economy: Urgent Need for International Lending

Egypt’s economy has suffered greatly during the past year’s transition, and without substantial international support, the situation could deteriorate further, leading to significant public hardship. GDP growth in 2011 was a mere 1.8%. Foreign investment has fallen by nearly three-quarters and tourism is down a third. With less revenue and the government’s decision to protect the pound, foreign exchange reserves have been dropping rapidly, from a pre-revolution high of \$36 billion to perhaps as little as \$10 billion (about four months worth of import cover) after accounting for certain obligations. If the situation continues as is, Egypt may have to devalue the pound.

To meet its obligations, Egypt has been borrowing from domestic sources, having rejected loans from the International Monetary Fund (IMF) in the summer of 2011.⁶ However, domestic banks are no longer able to keep buying government debt at levels needed. In order to address its balance of payments deficit, Egypt has indicated a new willingness to negotiate with the IMF, though the terms of the new package are expected to be more stringent. Many Egyptians anticipate that the government will have to curb costly energy subsidies, and that perception, combined with rising inflation, has led Egyptians to stockpile gasoline. The Egyptian government spends more than \$15 billion a year on energy subsidies, and any government that tries to curb

⁵ “Where Did Nick Kristof Get the Idea That the Muslim Brotherhood Is Moderate?” *The New Republic*, December 14, 2011.

⁶ At the time, Egyptian officials erroneously believed that spending cuts, economic growth, and foreign aid would help the treasury weather the storm and avoid the prospect of having to turn to the West for financial assistance.

this benefit may face staunch public opposition.⁷ Nevertheless, the IMF could require the government to reduce energy subsidies as a condition for its assistance. According to one banker, “Egypt lost out on quite a significant opportunity by rebuffing the IMF.... Whatever they would offer will come with much more conditionality than six months ago.”⁸

In rejecting an earlier IMF loan offer last year, Egypt’s military leaders may have calculated that the wealthy Gulf Arab states would make up the difference; they were wrong. Instead of a promised \$10 billion by Gulf Cooperation Council members, only \$1 billion—\$500 million each from Saudi Arabia and Qatar—was delivered. The Gulf states may actually want Egypt to participate in an IMF program in order to enforce fiscal discipline before delivering more funds. Qatar has stated that it will provide more money for Egypt once power is handed over to a civilian government.

Accepting IMF credit may be a divisive issue in Egyptian politics. The Salafist Nour party in the opposition rejects foreign borrowing, and the SCAF may choose to pass the issue off to the new civilian government after presidential elections. According to the Economist Intelligence Unit, “The FJP has not taken a clear position on the IMF issue, but it is unlikely to raise objections unless it considers that the loan carries conditions that would inhibit the party’s ability to pursue its policy goals.”

Foreign Policy: Relations with Israel

The 2011 revolution injected the decades-old Arab-Israeli conflict into the realm of Egyptian domestic politics in a manner previously unseen. Under Mubarak’s rule, antagonism toward Israel was certainly permitted and permeated the Egyptian media. However, regime censorship contained criticism of Egyptian policy toward Israel or even Hamas by allowing for only a very limited public discussion of the issue. Now Egyptian public opinion and support for the Palestinian cause has the ability to seriously rupture Israeli-Egyptian relations in an unprecedented manner. Many U.S. policymakers fear that should unanticipated conflict occur, the fallout from heightened Arab-Israeli tensions would be difficult to contain. Non-state actors, such as Hamas, base their military forces in civilian areas, and should another war or Palestinian uprising break out (as it did in 2000, 2006, and 2008), images of Arab civilian casualties broadcast over satellite television and the Internet may have a deeply destabilizing effect in the region. No longer can autocratic regimes such as Egypt under Mubarak be counted on to suppress public anger against Israel.

Egypt’s Role as a Peace Broker?

Egypt also may no longer play as helpful a role in brokering Israeli-Palestinian peace talks. Though Egypt under Mubarak maintained a cold peace with Israel, under his leadership Egypt did host a number of important Israeli-Palestinian negotiations, and Israel counted on some Egyptian cooperation in countering Hamas rule in the Gaza Strip. Though Egypt’s military has an interest in maintaining peace with Israel and keeping conflict outside Egypt’s borders, Egyptian Islamist groups—though they have indicated a willingness to maintain the overall peace treaty with

⁷ “Economic Crisis Adds Dangers on Egypt’s New Political Path,” *New York Times*, January 24, 2012.

⁸ “Egypt Goes Back to the IMF for Loan,” *Wall Street Journal*, January 11, 2012.

Israel—may not accept a foreign policy that is as adversarial to Hamas. Many analysts suggested that when Israel completed the prisoner exchange with Hamas to return Gilad Shalit from captivity, it did so in part in anticipation that Egypt would not be willing or able to broker such deals in the future due to Egyptian Islamist support for the Hamas cause. For the United States, the possible loss of Egypt as a reliable broker limits its options when trying to corral regional support for renewed negotiations. Recent talks between Israelis and Palestinians in Amman suggest that Jordan may try to fill this vacuum, though the small kingdom does not carry the same political weight as Egypt.

Security in the Sinai Peninsula

Over the past year, since the resignation of former Egyptian President Hosni Mubarak, security and the rule of law has deteriorated throughout Egypt, particularly in the Sinai Peninsula, posing new challenges for Israeli-Egyptian relations. Criminal and terrorist organizations based in the Sinai have taken advantage of more lax security to conduct operations against Israeli, Egyptian, and foreign targets. Terrorist groups based there have bombed gas pipelines and raided resorts, and on August 18, 2011, a Gazan terrorist cell traversed the Sinai into Israel and attacked both civilian and military targets—killing 8 and injuring 31. In hot pursuit of the perpetrators across the border, Israeli and Egyptian forces reportedly killed seven of them, but an Israeli aircraft apparently also killed five Egyptian police officers by mistake. The incident heightened Israeli-Egyptian tensions, as revolution in Egypt and the resentment toward Israel it unleashed had already strained diplomatic bilateral relations throughout 2011.

Fundamental tension remains between having sufficient Egyptian troops to maintain security in the Sinai and avoiding a buildup that could threaten Israel's perception of security. The 1979 peace treaty limits the number of soldiers that Egypt can deploy in the Sinai, subject to the parties' ability to negotiate changes to Egyptian deployments as circumstances necessitate. In the days leading up to the August 18 attacks, reports indicated that Egypt and Israel had agreed to an Egyptian deployment of an additional 1,000 soldiers/policemen to the Sinai. Other reports suggest that Israel has agreed to the deployment of up to 3,000 Egyptian troops. Israel also is accelerating construction of a 17-foot tall, 150-mile long, \$400 million security fence along its border with Egypt. With Israel hesitant to amend the peace treaty, some analysts anticipate more provisional concessions allowing Egypt to bolster its military presence.⁹

Islamists and Israel

Many observers are carefully watching how Egypt's newly empowered Islamist legislators address their country's relationship with Israel. According to the English translation of the FJP's program on political leadership, the FJP affirms

the right of the Palestinian people to liberate their land, and highlighting the duty of governments and peoples of Arab and Muslim countries, especially Egypt, to aid and support the Palestinian people and the Palestinian resistance against the Zionist usurpers of their homeland.¹⁰

⁹ Policy Forum Report Sinai: The New Frontier Of Conflict? *Policywatch* #1872, The Washington Institute for Near East Policy, November 21, 2011.

¹⁰ Available online at <http://www.ikhwanweb.com/article.php?id=29291&ref=search.php>

At the same time, Muslim Brotherhood leaders have signaled their intent to maintain peace with Israel. In an interview with Tom Friedman of the *New York Times*, Essam El Erian, vice chairman of the FJP, said that “This [peace treaty] is the commitment of the state—not any group or party—and we have said we are respecting the commitments of the Egyptian state.”¹¹ However, many Brotherhood members have said that the peace treaty may be “reviewed.” One spokesperson for the Salafist Nour party said, “We will abide by the treaty, but this does not mean accepting a number of clauses which the Egyptian people are clearly and unanimously against, such as exporting gas to Israel.”

Foreign Policy: U.S.-Egyptian relations

One tension that has been present in U.S.-Egyptian relations for the past decade, and is expected to continue unabated and perhaps amplified as a result of the revolution, is the balance between the pursuit of U.S. national security interests vis-à-vis Egypt and the promotion of American values and universal human rights. Realism versus idealism is a foreign policy dilemma confronted in all statecraft, perhaps no more starkly than in U.S.-Egyptian relations. For the United States, Egypt is a strategic partner. The U.S.-brokered 1979 Israeli-Egyptian peace treaty has kept two of the most powerful Middle Eastern conventional armies at peace for over three decades, a remarkable accomplishment considering the record of Arab-Israeli wars over the three decades before the treaty. The Suez Canal is one of the world’s key waterways, and the United States relies on continued access to it to project its power in the Mediterranean and the Persian Gulf and to protect global oil and cargo shipments that pass through the canal daily. Finally, the United States relies on a strong Egyptian partner in counter-terrorism due to the country’s long experience in combating extremist groups, though some of these groups, like Gemma Islamiyya, have ironically become part of Egypt’s political landscape.

Complications have arisen when the maintenance of these interests conflicts with other goals, such as the protection of minority and women’s rights in Egypt. The rise of Islamist parties in Egypt may be a harbinger of new conflicts over differing Western and Egyptian values. Various Islamist groups, particularly Salafists such as the Nour Party (generally believed to be more extreme than the Muslim Brotherhood), which received the second-highest share of the vote in Egypt, may try to continue the suppression of Coptic Christian rights in Egypt and place new restrictions on the rights of women in social and family law. Though the United States may argue that Egypt will only grow stronger as a nation if it supports religious freedom and gender equality, new Islamist political leaders may not agree, forcing U.S. lawmakers to make difficult choices when it comes to supporting Egypt in other arenas such as trade and bilateral aid. Moreover, it also is quite possible that Islamists, once in power, undermine Egypt’s fragile democracy by restricting freedom of speech, particularly when it comes to religion. As a possible harbinger of things to come, Egyptian Coptic billionaire businessman and liberal politician Naguib Sawiris is currently being sued by Islamists for insulting religion, months after he tweeted a cartoon making fun of Islamists.

As Egypt transitions toward greater civilian rule, U.S. policymakers may have to broaden relationships with an array of actors to a degree unknown during the Mubarak era. It appears that the Obama Administration is already adapting its diplomacy to new Egyptian circumstances. U.S. policymakers have already held preliminary meetings with leaders of the Muslim Brotherhood’s

¹¹ "Political Islam Without Oil," *New York Times*, January 10, 2012.

political party, the Freedom and Justice Party. After meeting with FJP officials, Under Secretary of State for Economic Growth, Energy, and the Environment Robert D. Hormats said that the FJP members he met with were “very pragmatic. They understand, they're the majority party now in the parliament. They are going to be the primary political party in Egypt. They need to deliver results.”¹²

As the United States reaches out to new political actors, many experts question the degree of U.S. leverage in post-Mubarak Egypt, particularly as U.S. resources for foreign policy overall may be shrinking given national budgetary constraints and domestic priorities. Many experts suggest that the Muslim Brotherhood, to the extent that it can dictate Egypt’s foreign policy, will try to move Egypt away from the United States and return the country to the non-aligned, more independent foreign policy course it followed during the 1960s and early 1970s. Even under Mubarak, Egypt has always been strongly nationalistic, and anti-colonialism is a powerful narrative there. Others suggest that while Islamists may not hold the United States in high esteem, economic realities will force Egypt, at the least in the short term, to maintain relations with the West, particularly as it seeks lending from the World Bank and International Monetary Fund to stabilize its stalled economy.

U.S. Foreign Aid to Egypt Since the February 2011 Revolution

After Mubarak’s resignation in February 2011, the Administration made several aid proposals for Egypt. In the weeks following the resignation, the Obama Administration reprogrammed \$165 million in already appropriated ESF for support to Egypt's economy (\$100 million) and political transition (\$65 million). In a speech delivered at the State Department on May 19, 2011, President Obama outlined a new plan for U.S. engagement with Arab countries undergoing political transitions, such as Egypt. Major components of that plan include the following:

- Launch a \$2 billion facility in the Overseas Private Investment Corporation (OPIC) to support private investment across the region.
- Provide up to \$1 billion in bilateral debt relief to Egypt, working with the Egyptian government to invest these resources to foster growth and entrepreneurship.
- Help Egypt regain access to capital markets by providing \$1 billion in U.S.-backed loan guarantees to finance infrastructure and job creation.
- Work with Congress to create enterprise funds to invest in Tunisia and Egypt, modeled after funds that supported the transitions in Eastern Europe after the fall of the Berlin Wall. Enterprise funds are to focus on making loans to, or investments in, small- and medium-sized (SME) businesses in the fund's host country that other financial institutions are reluctant to invest in.
- Refocus the European Bank for Reconstruction and Development (EBRD) so that it may provide similar support for democratic transitions and economic modernization in the Middle East and North Africa as it has in Europe.
- Launch a comprehensive Trade and Investment Partnership Initiative in the Middle East, working with the European Union (EU), to encourage more trade

¹² "Obama set to speed aid to Egypt-official," *Reuters*, January 25, 2012.

within the region; build on existing agreements to promote integration with U.S. and European markets; and open the door to freer trade for countries that adopt high standards of reform and trade liberalization to construct a regional trade arrangement.

Overall, Congress has supported new Obama Administration proposals for Egypt but with conditions. P.L. 112-74, the Consolidated Appropriations Act, 2012, provides the full request for Egypt (\$1.55 billion), authorizes debt relief, and authorizes and appropriates funding for the creation of an enterprise fund to promote private sector investment. However, Section 7041 of P.L. 112-74 specifies that no funds may be made available to Egypt until the Secretary of State certifies that Egypt is meeting its obligations under the 1979 Egypt-Israel Peace Treaty. It further specifies that no military funds be provided until the Administration certifies that Egypt is supporting the transition to civilian government, including by holding free and fair elections and by implementing policies to protect freedom of expression, association, and religion, and due process of law. These certifications may be waived by the Administration under certain conditions. In addition, conferees directed the Secretary of State to submit a report to the Committees on Appropriations, not later than 60 days after enactment of the act, outlining steps that the government of Egypt is taking to protect religious minorities, including Coptic Christians; prevent sectarian and gender-based violence; and hold accountable those who commit such acts.

Egypt's Raids on NGOs and Possible Cuts to U.S. Aid

Egypt's recent treatment of Americans employed by U.S.-based democracy promotion organizations working in Egypt has led to widespread calls for cuts or suspension of U.S. aid to Egypt. On December 29, 2011, Egyptian police raided the offices of at least 10 U.S.-based international non-governmental organizations working on election monitoring, political party training, and government transparency in Egypt, including the International Republican Institute (IRI), National Democratic Institute (NDI), and Freedom House, as part of a criminal investigation commissioned by Minister of International Cooperation Fayza Abul Naga into foreign funding of NGOs. Abul Naga is the only remaining cabinet holdover¹³ from the Mubarak era and has served since 2001.¹⁴ Police seized laptop computers and interrogated employees, accusing various organizations of operating illegally without a license. Several U.S. groups have applied for legal registration, but their applications have been pending for years, leaving them in legal limbo; hence Congress's decision to employ the legislative language referenced above.¹⁵ As a result of the raids, many NGOs were forced to close their local offices.

The U.S. government protested the raids, and the Supreme Council of the Armed Forces (SCAF), the effective executive authority in transitional Egypt, promised that equipment would be returned and NGO operations would return to normal. However, these pledges were not fulfilled. Two weeks later, Egypt barred at least six American NGO employees from leaving the country, drawing further criticism from the Administration and lawmakers. Reportedly, President Obama

¹³ According to one unnamed senior U.S. official, "When the regime changed, we all thought, Faiza will be gone....Man, were we wrong. She's more powerful than ever." See, "Architect of Egypt's NGO crackdown is Mubarak holdover," *Washington Post*, February 7, 2012.

¹⁴ Among the many challenges this crisis poses for the United States is ascertaining which Egyptian group is driving the decision-making behind the NGO issue, besides Minister Abul Naga herself. Members of the military and the Muslim Brotherhood have been equivocal when asked to publicly clarify their position on this issue.

¹⁵ NDI has attempted to register since 2005. See, <http://www.ndi.org/facts-on-ndi-egypt>

personally called Field Marshall Tantawi, the head of the SCAF, to remind him that the FY2012 Appropriations Act contains a certification requirement (see above) before any military aid may be released, though “Tantawi did not believe him.”¹⁶ As a result of these developments, many lawmakers are calling for a suspension of military aid to Egypt.

On February 6, Egyptian authorities charged 43 people, including the Egypt country directors of NDI and IRI, with spending money from organizations that were operating in Egypt without a license. Nineteen Americans, including Sam LaHood, the son of U.S. Transportation Secretary Ray LaHood, face criminal charges. Secretary of State Hillary Rodham Clinton said shortly before the charges were announced that she had warned Egyptian officials that the investigation of NGOs had cast doubt on the delivery of U.S. aid, saying “We are very clear that there are problems that arise from this situation that can impact all the rest of our relationship with Egypt.”¹⁷ On February 8, Egyptian investigative judges said that the 43 employees who have been charged could face up to five years in prison for working at unlicensed organizations, failing to pay taxes, entering the country on tourist visas, and training political parties.¹⁸

U.S. Aid to Egypt: Options for Congress

Egypt’s recent actions toward American citizens working there have placed U.S. officials in a difficult position. On the one hand, many officials feel a tough U.S. response is warranted, and that cutting U.S. aid or suspending it is a logical starting point. On the other hand, such a step may play into the hands of the very same sources within the regime who appear to have instigated the current crisis. The Administration and Congress are faced with a decision about what the right balance is between disapprobation and overreaction. Should the acrimony continue to increase, both sides will risk a more permanent rupture in relations that may run counter to certain U.S. national security interests—such as leverage within Egypt’s military, influence on Egypt’s policy toward Israel, access to the Suez Canal, etc.

The budget request President Obama is scheduled to release on February 13 may provide a better sense of how the Administration is approaching the aid question. In addition to the option of cutting aid for FY2013, another potential option is for the Secretary of State to not do anything until Egypt relents in its campaign against U.S. citizens. In practice, this would mean not obligating any FY2012 funds in order to avoid certifying that, according to P.L. 112-10, “Egypt is supporting the transition to civilian government including holding free and fair elections; implementing policies to protect freedom of expression, association, and religion, and due process of law.” Under this scenario, military aid funds would lay dormant during a period of availability.¹⁹ Another option for Congress would be to rescind FY2012 funds altogether though new legislation.

¹⁶ “Obama warns Egypt that military aid is at risk,” *International Herald Tribune*, January 28, 2012.

¹⁷ “Egypt Defies U.S. by Setting Trial for 19 Americans on Criminal Charges,” *New York Times*, February 5, 2012.

¹⁸ “NGO Workers could face 5 years in Prison, Egyptian Judges say,” *Washington Post*, February 8, 2012.

¹⁹ Section 7011 of P.L. 112-74 limits the availability of unobligated FMF to the one fiscal year unless otherwise specified.

The disposition of future Egyptian governments toward the United States is unknown,²⁰ as is the likely future separation of powers between the legislature, the executive, the military, and the judiciary in the emerging Egyptian political system. Egypt's military rulers have indicated their intention to step down from power as soon as elections are held either in May or June of 2012, although they may retain significant financial and internal oversight authorities. The Administration and Congress may view that move as an opportunity to reach either a formal or informal understanding with any new Egyptian government, stipulating that U.S. assistance comes with certain conditions that reflect U.S. national interests and values, subject to the approval of Congress. This understanding could be enshrined in a memorandum of understanding or another type of agreement.

Table 1. U.S. Assistance to Egypt, FY2010-FY2012
(regular and supplemental appropriations; current year \$ in millions)

Account	FY2010	FY2011	FY2012
ESF	250.0	249.5	250.0
FMF	1,300.0 ^a	1,297.4	1,300.0
IMET	1.900	1.400	1.400
INCLE	1.000	1.000	.250
NADR	2.800	4.600	5.600
Total	1,555.7	1,553.9	1,557.25

Source: U.S. State Department.

- a. Congress provided \$260 million of Egypt's total FY2010 FMF appropriation in P.L. 111-32, the FY2009 Supplemental Appropriations Act. The remaining \$1.04 billion was appropriated in P.L. 111-117, the FY2010 Consolidated Appropriations Act.

Table 2. U.S. Foreign Assistance to Egypt
(\$ in millions)

Fiscal Year	Economic	Military	IMET	Total
1948-1997	23,288.6	22,353.5	27.3	45,669.4
1998	815.0	1,300.0	1.0	2,116.0
1999	775.0	1,300.0	1.0	2,076.0
2000	727.3	1,300.0	1.0	2,028.3
2001	695.0	1,300.0	1.0	1,996.0
2002	655.0	1,300.0	1.0	1,956.0
2003	911.0	1,300.0	1.2	2,212.2
2004	571.6	1,292.3	1.4	1,865.3

²⁰ A recent Gallup poll noted that about 7 in 10 Egyptians surveyed in December 2011 oppose U.S. economic aid to Egypt, and a similar percentage opposes the U.S. sending direct aid to civil society groups. See, "Most Egyptians Oppose U.S. Economic Aid," *Gallup*, February 6, 2012.

Fiscal Year	Economic	Military	IMET	Total
2005	530.7	1,289.6	1.2	1,821.5
2006	490.0	1,287.0	1.2	1,778.2
2007	450.0	1,300.0	1.3	1,751.3
2008	411.6	1,289.4	1.2	1,702.2
2009	250.0	1,300.0	1.3	1,551.3
2010	250.0	1,300.0	1.9	1,551.9
2011	249.5	1,297.4	1.4	1,548.3
Total	31,070.3	40,509.2	43.14	71,623.9

Table 3. U.S. Foreign Assistance to Egypt, 1946-1997

(\$ in millions)

Year	Total	Military Loan	Military Grant	I.M.E.T Grant	Misc. Economic Grant	D.A. Loan	D.A. Grant	ESF Loan	ESF Grant	P.L. 480 I	P.L. 480 II
1946	9.6	—	—	—	9.3 Surplus 0.3 UNWRA	—	—	—	—	—	—
1948	1.4	—	—	—	1.4 Surplus	—	—	—	—	—	—
1951	0.1	—	—	—	0.1 Tech Asst	—	—	—	—	—	—
1952	1.2	—	—	—	—	—	0.4	—	—	—	0.8
1953	12.9	—	—	—	—	—	12.9	—	—	—	—
1954	4.0	—	—	—	—	—	3.3	—	—	—	0.7
1955	66.3	—	—	—	—	7.5	35.3	—	—	—	23.5
1956	33.3	—	—	—	—	—	2.6	—	—	13.2	17.5
1957	1.0	—	—	—	—	—	0.7	—	—	—	0.3
1958	0.6	—	—	—	—	—	0.0	—	—	—	0.6
1959	44.8	—	—	—	—	—	2.0	—	—	33.9	8.9
1960	65.9	—	—	—	—	15.4	5.7	—	—	36.6	8.2
1961	73.5	—	—	—	—	—	2.3	—	—	48.6	22.6
1962	200.5	—	—	—	—	20.0	2.2	20	—	114.0	44.3
1963	146.7	—	—	—	—	36.3	2.3	10	—	78.5	19.6
1964	95.5	—	—	—	—	—	1.4	—	—	85.2	8.9
1965	97.6	—	—	—	—	—	2.3	—	—	84.9	10.4
1966	27.6	—	—	—	—	—	1.5	—	—	16.4	9.7
1967	12.6	—	—	—	—	—	0.8	—	—	—	11.8

Year	Total	Military Loan	Military Grant	I.M.E.T Grant	Misc. Economic Grant	D.A. Loan	D.A. Grant	ESF Loan	ESF Grant	P.L. 480 I	P.L. 480 II
1972	1.5	—	—	—	—	1.5	—	—	—	—	—
1973	0.8	—	—	—	—	—	—	—	—	—	0.8
1974	21.3	—	—	—	—	—	—	—	8.5	9.5	3.3
1975	370.1	—	—	—	—	—	—	194.3	58.5	104.5	12.8
1976	464.3	—	—	—	—	—	5.4	150.0	102.8	201.7	4.4
TQ	552.5	—	—	—	—	—	—	429.0	107.8	14.6	1.1
1977	907.8	—	—	—	—	—	—	600.0	99.2	196.8	11.7
1978	943.2	—	—	0.2	0.1 Narc.	—	—	617.4	133.3	179.7	12.5
1979	2,588.5	1,500	—	0.4	—	—	—	250.0	585.0	230.7	22.4
1980	1,167.3	—	—	0.8	—	—	—	280.0	585.0	285.3	16.1
1981	1,681.2	550	—	0.8	—	—	—	70.0	759.0	272.5	28.9
1982	1,967.3	700	200.0	2.4	—	—	—	—	771.0	262.0	31.9
1983	2,332.0	900	425.0	1.9	—	—	—	—	750.0	238.3	16.8
1984	2,470.8	900	465.0	1.7	—	—	—	—	852.9	237.5	13.7
1985	2,468.7	—	1,175.0	1.7	—	—	—	—	1,065.1	213.8	13.2
1986	2,539.1	—	1,244.1	1.7	—	—	—	—	1,069.2	217.5	6.6
1987	2,317.0	—	1,300.0	1.8	—	—	—	—	819.7	191.7	3.9
1988	2,174.9	—	1,300.0	1.5	—	—	—	—	717.8	153.0	2.6
1989	2,269.6	—	1,300.0	1.5	—	—	1.5	—	815.0	150.5	1.2
1990	2,397.4	—	1,294.4	1.6	—	—	—	—	898.4	203.0	—
1991	2,300.2	—	1,300.0	1.9	—	—	—	—	780.8	165.0	52.5
1992	2,235.1	—	1,300.0	1.8	—	—	—	—	892.9	40.4	—
1993	2,052.9	—	1,300.0	1.8	—	—	—	—	747.0	—	4.1
1994	1,868.6	—	1,300.0	0.8	—	—	—	—	561.6	35.0	6.2
1995	2,414.5	—	1,300.0	1.0	—	—	0.2	—	1,113.3	—	—
1996	2,116.6	—	1,300.0	1.0	—	—	—	—	815.0	—	0.6
1997	2,116.0	—	1,300.0	1.0	—	—	—	—	815.0	—	—
Total	45,669.4	4,550	17,803.5	27.3.0	11.2	80.7	82.8	2,620.7	15,923.8	4,114.3	455.1

Notes: Totals may not add due to rounding. No U.S. aid programs for years 1947, 1949, 1950, 1968, 1969, 1970, and 1971. P.L. 480 II Grant for 1993 includes \$2.1 million in Sec. 416 food donations.

TQ = Transition Quarter; change from June to September fiscal year

* = less than \$100,000

I.M.E.T. = International Military Education and Training

UNRWA = United Nations Relief and Works Agency

Surplus = Surplus Property

Tech. Asst. = Technical Assistance

Narc. = International Narcotics Control

D. A. = Development Assistance

ESF = Economic Support Funds

P.L. 480 I = Public Law 480 (Food for Peace), Title I Loan

P.L. 480 II = Public Law 480 (Food for Peace), Title II Grant

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