

# Rethinking U.S. Relations with a Changing Egypt

by Michele Dunne

## SUMMARY

Even before the January 2011 revolution, the United States and Egypt had grown increasingly dissatisfied with the constructs of the bilateral relationship, which must be reinvented if it is to survive.

Historic changes demand a new U.S. policy toward Egypt, one that elevates the importance of political and economic development in Egypt alongside security concerns.

The effort to rebalance the U.S.-Egypt relationship will be complicated by tenuous politics within Egypt, as well as mistrust among Egyptians regarding U.S. intentions in the region.

By failing to provide a compelling economic assistance package to a struggling Egypt and continuing to side with an increasingly unpopular ruling military council, the U.S. has fumbled in its efforts to support Egypt's democratic transition.

As Egyptians prepare for presidential elections and the redrafting of the constitution, the U.S. should reconsider the current constructs of the bilateral relationship, which should include standing up for civic freedoms for Egyptians and formulating a shared vision for economic growth.

If ever there was a relationship in need of a reset, it is the one between the United States and Egypt. For the United States, Egypt is critical to maintaining peace and to building prosperity and democracy in the Middle East and North Africa, perhaps more so now than ever before. And yet, despite the close bilateral relationship over the last three and a half decades, in the wake of the January 2011 revolution, the U.S. finds Egypt to be a devilishly difficult partner. Washington's old military allies have horribly mismanaged the country's transition while newly elected Islamists are highly suspicious of the United States. But Egypt still needs the United States, if only because it will be much easier for the country to address its serious economic problems if the U.S. champions Egypt's cause with international institutions and donors.

Several factors complicate the needed reset. Egypt has seen only a partial revolution, and so the political scene is a confusing mix of new players—Islamists elected to parliament, as well as liberal and revolutionary activists—and old players including the Supreme Council of the Armed Forces (SCAF) and bureaucrats held over from the Mubarak era. This creates a cacophony of voices, making it difficult for Americans to understand what Egyptians really want.

Furthermore, tensions between the U.S. and Egyptian governments are unusually high due to the unprecedented crackdown on Egyptian and American civil society organizations that was carried out by Mubarak-era holdovers in late 2011 and continues today. Although American defendants have been allowed to post bail and leave Egypt, the trial and investigation go on, making it difficult for the U.S. administration to certify that the Egyptian transitional government has met congressionally mandated conditions for continued military assistance. That all of this is happening a year after Egyptians forced the resignation of 30-year President Hosni Mubarak and declared a new democratic era is deeply ironic, but not all that surprising considering the unpredictable and often brutal nature of post-revolutionary politics in many countries.

Despite the ruling military council's flagrant disregard for democratic principles, Washington appears set to use a national security waiver to deliver at least a portion of the \$1.3 billion in military assistance, which begs a broader question: is the U.S.-Egyptian relationship, as constructed in the 1970s at the time of the Camp David agreement, still tenable? Probably not. While it is popular to attribute the current bilateral tension

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to the aftermath of the January 2011 revolution, in truth, strains have been increasingly evident over the past decade. Egyptians and Americans alike feel cheated: Americans never got the chummy Egyptian-Israeli peace and close cooperation in regional diplomacy they wanted, and Egyptians never got the economic prosperity and state-of-the-art military they expected. Peace with Israel remains very much in the interests of Egypt and the United States, but in a broader sense the existing peace-for-funding bargain looks outdated and increasingly unfavorable to both parties.

If the U.S.-Egypt relationship needs to be reinvented, what should it look like? And how can the two countries reach a new understanding in view of the current crisis, a complicated bilateral history, and the continuing turmoil of Egypt’s political transition?

### **A FRESH LOOK NEEDED**

The current historic moment calls for a new U.S.-Egyptian partnership based unambiguously on U.S. support for democracy and economic opportunity for Egyptians, one that breaks out of the paternalistic patron-client model associated with Mubarak’s rule. This is where Egyptians say they want to go, and the U.S. should harness its own resources and those of others—notably Europe and Gulf Arab countries—to help them get there. While this approach may seem obvious, it entails a comprehensive, top-to-bottom rethinking of U.S. policy.

Since the mid-1970s, the U.S.-Egyptian relationship has moved forward on two legs: security (peace with Israel, as well as military and counter-terrorism cooperation) and development (economic development and, more recently, political development inside Egypt). The problem is that the security leg was always more muscular and energetic than the development one and became increasingly so over time, demonstrated by the steady flow of U.S. security assistance (\$1.3 billion annually) versus the steep fall in economic assistance over time (from approximately \$800 million annually in the 1980s to \$250 million in 2011). This imbalance created a limping gait in bilateral relations that fell out of step with the fast pace of developments inside of Egypt in the past decade. Questions of economic opportunity, leadership legitimacy, citizens’ rights, and government accountability came to dominate the scene in recent years far more than foreign affairs. And ultimately, Mubarak’s refusal to reform made domestic unrest a more pressing national security issue than any regional factor.

### **COMPLICATING FACTORS**

The popular uprising that forced Mubarak’s resignation and set Egypt on a self-declared path of democratization presents the U.S. with a historic opportunity to rebalance the U.S.-Egypt relationship, but the effort faces serious complications:

- Although Mubarak and a few other senior figures (such as his sons and several previous cabinet ministers) were removed from power, many figures from the old regime remain in place and have shown recently—for example by deliberately creating a crisis with the U.S. over NGOs—that they are willing to use any means to preserve and rebuild their influence, including the old tactic of mobilizing xenophobic sentiment against the United States.
- The new political figures who have risen via elections are primarily Islamists, whom the U.S. has largely shunned and is just now beginning to get to know.
- A new constitution will be written shortly, and it is likely to restructure Egypt’s political system in ways that constrain presidential powers and strengthen the hand of parliament, meaning that the United States, accustomed to dealing with a unitary, authoritarian executive, will need to learn to engage with a multi-polar government through more than one channel.
- Egyptians generally distrust U.S. intentions for several reasons, including the aforementioned legacy of prioritizing security cooperation over the interests of Egyptian citizens in bilateral relations and disapproval of some U.S. policies in the region (notably Iraq and Palestine).
- U.S. policy toward the Middle East suffers from fatigue and a lack of confidence following a decade of overextension to deal with the threat of terrorism since the September 11, 2001 attacks.

These challenges, while troubling, can and must be overcome if the U.S. wants to have cooperative relations with a changing Egypt. Some of the old regime figures—particularly in the military—will remain influential, but Egypt has already elected a parliament that is asserting itself and rapidly shifting the country’s internal power dynamic away from the executive branch. The Islamists, particularly those from the Muslim Brotherhood, are wary of the U.S. but have so far taken a practical approach to building relations and know that engaging with the West will be critical to attracting investment and restoring tourism, without which the economy will not get back on its feet—for which the Islamists risk shouldering the blame. Egyptian public distrust can eventually be overcome, but it will take a much stronger, clearer expression of U.S. support for Egypt’s post-revolutionary path as well as much more energetic U.S. public diplomacy.

### **HISTORIC CHANGES, AMBIVALENT U.S. POLICY**

One hears two contradictory narratives from Egyptians about the U.S. position on the January 25 revolution: one says that the U.S. jettisoned long-time ally Mubarak with lightening speed, and another says that the U.S. has done nothing to support the revolution and might be trying to undermine the changes underway. These two narratives persist partly

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because each contains an important element of truth. On the rhetorical level, President Obama made the conceptual leap from Mubarak-our-friend to Mubarak-must-go in about one week, which perhaps seemed long to demonstrators battling it out in Tahrir Square but was short considering it required U.S. policy to turn around 180 degrees.

When it comes to effective actions to support a democratic transition in Egypt, however, the U.S. has fumbled. Unable to make a large new assistance pledge for fiscal reasons, the Obama administration initially committed \$150 million of mostly reprogrammed assistance, which was a creative means for circumventing budgetary constraints, but nonetheless insufficient to address Egypt’s daunting economic challenges. Later, Washington pledged \$1 billion in a debt swap arrangement, but the latter still has not been concluded as of this writing. The prospect of a new economic relationship based on a free trade agreement—signaling a reciprocal and mutually respectful partnership rather than a payoff—could be an important incentive and show of support for Egypt, but the administration has been reluctant to raise that possibility out of fear of political repercussions inside the United States.

More damaging than the failure to come forward with a compelling package of economic support, however, has been the U.S. government’s tendency to cling to old assumptions about the U.S.-Egyptian relationship. In the first few months following Mubarak’s ouster, U.S. officials publicly touted their relationship and influence with the Egyptian military, contributing to an impression among Egyptians that Washington wanted to see military rule rather than democracy. As the serious problems associated with military transitional rule became apparent—widespread human rights violations, inability to handle Muslim-Christian violence, economic mismanagement—the U.S. fell silent. U.S. officials failed to address, for example, an escalating public campaign against U.S. funding for civil society organizations by Minister of International Cooperation Fayza Aboul Naga beginning in mid-2011, which grossly distorted the reality of NGO activities and portrayed their employees as subversive conspirators. Misunderstanding the seriousness of the matter and the degree to which Aboul Naga’s false narrative had misled the Egyptian public, the U.S. passed up a vital opportunity to correct these false claims, allowing the tension between the U.S. and Egypt to rise to unprecedented levels.

## **POLICY RECOMMENDATIONS**

With Egypt on the eve of a presidential election, a new government, and a revised constitution, this is the right time to pause and consider how the bilateral relationship will need to change. In order to begin the process of resetting relations with Egypt, the United States government should:

- *Undertake a top-to-bottom policy review of the bilateral relationship and assistance package, with a view to recalibrating relations so that they truly encourage democratic development and economic growth in Egypt.* Military assistance should be revisited so that it supports a continued security

partnership of mutual benefit but also promotes evolving control of the military by elected civilians in a democratizing Egypt.

- ***Stand up for civic freedoms for Egyptians consistently.*** With the military likely to continue to play a political role in the future and Islamists dominating the parliament, it will be critical to Egypt's democratic development that organizations advocating the rights and equality of all citizens are free to operate, including raising funds at home and abroad to support their work. The U.S. should make common cause with Europe on this issue, and both should be clear and consistent in their public and private support for a new NGO law that allows such activities. A U.S. decision to waive congressionally mandated conditions related to civic freedoms and restore military aid despite the ongoing trial of NGO employees would damage U.S. credibility at a critical moment.
- ***Formulate a shared vision for economic growth with Egyptian interlocutors, notionally based on developing Egypt into a trade and manufacturing hub.*** Once there is an Egyptian government in place, the U.S. should express its willingness to move toward negotiation of a free trade agreement. Bilateral economic assistance should be organized to support that vision with specific programs such as education and infrastructure development. The U.S. should be sensitive to strong public concerns in Egypt about corruption and cronyism during the Mubarak era—when the U.S. and international financial institutions lauded the regime for its economic reforms—and be prepared to incorporate specific mechanisms to discourage corruption and to help small and medium enterprises benefit from trade and investment initiatives.
- ***Use U.S. leadership in the G-8 to motivate other donors—particularly Europe and Gulf States—to recalibrate their trade and assistance relations to aid Egypt's economic growth.*** The U.S. should be thinking big—both in terms of scale and scope—and encouraging others to do likewise in order to incentivize sound economic policies in Egypt and stave off an economic crisis that could undermine the already perilous political process.
- ***Stop triangulating relations with Israel but stress the importance of Egypt playing a responsible and stabilizing regional role.*** While it should be clear that Egypt will only receive U.S. assistance as long as it remains at peace with Israel, efforts to continually link U.S.-Egyptian relations to Israel—for example, by offering to expand Qualifying Industrial Zones, which require a 10.5 percent Israeli component in order to enjoy duty free status with the United States, rather than a free trade agreement—create the impression that the U.S. cares about Egyptians only inasmuch as they are useful to Israel, stirring deep resentment in Egypt.
- ***Engage a much broader Egyptian audience.*** U.S. officials have begun to meet with Islamist politicians, but engagement with a wide array of political actors—from the Muslim Brotherhood to Salafi groups to liberal

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## ABOUT POMED

The Project on Middle East Democracy is a nonpartisan, nonprofit organization dedicated to examining how genuine democracies can develop in the Middle East and how the U.S. can best support that process. Through dialogue, research, and advocacy, we work to strengthen the constituency for U.S. policies that peacefully support democratic reform in the Middle East.

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activists—is needed to genuinely understand the changes taking place in Egypt today. Egyptians are just beginning the process of writing a new constitution, but already it is clear that the parliament will have much more influence—and the executive branch less—in the new Egypt. Therefore, any new partnership with the United States will require much broader Egyptian buy-in than under authoritarian rule. The U.S. also needs more effective public diplomacy to ensure that the U.S. point of view is reaching Egyptians, getting the U.S. perspective into the debate and helping to rectify inaccurate statements and accusations.

## TIME TO CONFER AND PREPARE

Just as the election of an Islamist-dominated parliament in January changed political dynamics and limited the SCAF's room for maneuver, the upcoming presidential election and turnover of executive authority from the SCAF in June 2012 will change the whole picture again. Although congressionally mandated conditions supporting political rights and a transfer of power to civilian leadership have not been met, the U.S. appears set to resume military assistance to Egypt, which could send a damaging message and serve no purpose in the large scheme of things. Instead, the United States should pause military assistance while it carries out a policy review at home and consultations in Egypt—with parliamentarians, businesspeople, leaders of political movements, labor activists, etc—to build a broad basis for a new U.S.-Egyptian relationship. Reaching a new understanding based on U.S. support for Egyptian democratization and economic development might not be easy to do, but keeping the relationship on auto pilot is not viable in a context of seismic political change. And Egypt is far too important to give up on just one year into its transition from authoritarianism.