



Egypt: Background and U.S. Relations

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Summary

This report provides an overview of U.S.-Egyptian diplomatic relations, Egyptian politics, and U.S. foreign aid to Egypt. It also includes a political history of modern Egypt.

U.S. policy toward Egypt is aimed at maintaining regional stability, improving bilateral relations, continuing military cooperation, and sustaining the March 1979 Egyptian-Israeli peace treaty. Successive Administrations have long viewed Egypt as a moderating influence in the Middle East. At the same time, in recent years, there have been increasing U.S. calls for Egypt to democratize. Congressional views of U.S.-Egyptian relations vary. Many lawmakers view Egypt as a stabilizing force in the region, but some Members would like the United States to pressure Egypt to implement political reforms, improve human rights, and take a more active role in reducing Arab-Israeli tensions.

The United States has provided Egypt with an annual average of over \$2 billion in economic and military foreign assistance since 1979. P.L. 111-8, the FY2009 Omnibus Appropriations Act, provides \$200 million in Economic Support Fund (ESF) assistance and \$1.3 billion in Foreign Military Financing (FMF) assistance to Egypt. For the first time, Congress stipulated that FMF grants to Egypt may be used for “border security programs and activities in the Sinai,” a reference to anti-smuggling initiatives on the Egypt-Gaza border. The ESF grants to Egypt were less than half of the FY2008 level with \$20 million earmarked for democracy programs and \$35 million for education programs, including scholarships for Egyptian students with high financial need. Egypt received an additional \$50 million in ESF assistance from P.L. 111-32, the FY2009 Supplemental Appropriations Act. S. 1434, the Senate version of the Department of State, Foreign Operations, and Related Programs Appropriations Act, 2010 (which awaits floor action), includes a provision that would fund a U.S.-Egypt endowment.

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U.S.-Egyptian Relations: The Road Ahead

In the last year, Egyptian foreign policy, particularly its relationship with the United States, has benefitted substantially from both a change in U.S. policy and from events on the ground. The Obama Administration, as evident in the President's June 2009 speech in Cairo, has elevated Egypt's importance to U.S. foreign policy in the region, as U.S. policymakers work to revive the Arab-Israeli peace process. In choosing Cairo as a venue for the President's signature address to the Muslim world, Egyptians feel that the United States has shown their country respect commensurate with its perceived stature in the Arab world.

At the same time, continuing tensions with Iran and Hamas have bolstered Egypt's position as a moderating force in the region and demonstrated the country's diplomatic utility to U.S. foreign policy. Based on its own interests, Egypt has opposed Iranian meddling in the Levant and in Gaza and has recently expanded military cooperation with Israel in order to demonstrate resolve against further Iranian provocations, such as arming Hamas or allowing Hezbollah to operate on Egyptian soil. Furthermore, Israel's Operation Cast Lead (December 2008 to January 2009) highlighted the need to moderate Hamas's behavior, attain Palestinian unity, and reach a long-term Israel-Hamas cease-fire/prisoner exchange, goals which Egypt has been working toward, albeit with limited success so far.

Indications of an improved bilateral relationship have been clearly evident. Over the last six months, there has been a flurry of diplomatic exchanges, culminating in President Obama's June 2009 visit to Egypt and Egyptian President Hosni Mubarak's trip to Washington in August 2009, his first visit to the United States in over five years. Following President Obama's June visit, the two governments held their annual strategic dialogue. Several months earlier, the United States pledged to expand trade and investment in Egypt.

Despite the appearance of a more positive atmosphere, inherent tensions and contradictions in U.S.-Egyptian relations remain. For U.S. policymakers and Members of Congress, the question of how to simultaneously maintain the U.S.-Egyptian strategic relationship born out of the Camp David Accords and the 1979 peace treaty while promoting human rights and democracy in Egypt is a major challenge with no clear path. As Egyptian opposition figures have grown more vocal in recent years over issues such as leadership succession, corruption, and economic inequality, and the regime has subsequently grown more repressive in its response to increased calls for reform, activists have demanded that the United States pressure Egypt to create more breathing space for dissent. The Egyptian government has resisted any U.S. attempts to interfere in its domestic politics and has responded harshly to overt U.S. calls for political reform. At the same time, as the Israeli-Palestinian situation has further deteriorated, Egypt's role as a mediator has proved invaluable to U.S. foreign policy in the region. Egypt has secured cease-fire agreements and mediated negotiations with Hamas over prisoner releases, cease-fire arrangements, and other issues. Since Hamas is a U.S.-designated Foreign Terrorist Organization (FTO) and calls for Israel's destruction, neither Israel nor the United States government directly negotiates with its officials, using Egypt instead as a go-between. With the Obama Administration committed to pursuing Middle East peace, there is concern that U.S. officials may give a higher priority to Egypt's regional role at the expense of human rights and democratic reforms.

Overall U.S.-Egyptian military and intelligence cooperation remains strong and, in many respects, is the foundation of bilateral ties, but questions abound over the non-security aspects of

the diplomatic relationship. As U.S. economic assistance to Egypt has dwindled from over \$800 million in FY1998 to \$250 million in FY2009, some observers have questioned whether or not U.S. economic assistance provides sufficient leverage to pursue U.S. national security interests in Egypt. The Egyptian government has grown dismissive of U.S. economic assistance at its current level (around \$250 million annually), arguing that based on the relative growth of the Egyptian economy over the last two decades and the decline in overall U.S. assistance, per capita aid is a mere fraction of what it used to be. The Egyptian government has argued that if both sides agree to continue the aid relationship, funds should either be increased or gradually phased out, but, most importantly from Egypt's perspective, be directed toward economic development rather than toward democracy promotion and support for civil society.

On the other hand, some lawmakers, U.S. officials, democracy activists, and Egyptian opposition groups would like U.S. economic assistance to continue with some support directed toward civil society and political reform. Staunch critics of the Mubarak regime have gone further, asserting that both military and economic aid should be conditioned or even withheld pending improvements in the regime's human rights and political reform record.

The issue of whether the United States government should employ U.S. foreign assistance and other foreign policy tools to robustly promote democracy in Egypt continues to divide the policy community. The lack of resolution to this issue has prevented both sides from developing initiatives to frame the bilateral relationship in terms outside the Camp David framework.

U.S. and Egyptian private sector interests have attempted to shift the focus of the bilateral relationship away from aid to trade and investment. However, a U.S.-Egyptian free trade agreement does not appear to be a realistic goal at the moment, and it is unclear what more can be done at the government-to-government level to expand commercial relations.

With Egypt about to hold two critical elections (parliamentary and presidential) between 2010 and 2011, the current period could be crucial in setting a tone for U.S. policy toward Egypt for the years ahead. Most analysts believe that bilateral relations will remain fairly static until new Egyptian leaders come to the fore. Others suggest that the manner in which a leadership transition takes place, if at all, will dictate the trajectory of relations for the years ahead. Most importantly, there is a sense among many experts that, although Egypt has temporarily boosted its relevance to U.S. foreign policy, the country is in decline, and it will be the task of the next Egyptian leader to address deep socioeconomic fissures, restore the people's faith in their own government, and revive Egypt's soft power. Until the succession issue is resolved, however, it would appear that the onus for moving relations forward or even disengaging from Egypt would be on the Administration and Congress. Therefore, in assessing whether or not to expand aid, trade, and military cooperation with Egypt in an era of shrinking U.S. resources, officials not only have to choose between supporting democracy or dictatorship, but also have to measure Egypt's relative importance to U.S. national security in a context of many competing global priorities. Once the second-largest recipient of U.S. aid annually, in FY2009 Egypt ranks fifth behind Israel, Afghanistan, Pakistan, and Iraq, respectively.

Possible Policy Options toward Egypt

Experts have posited a number of approaches to guide U.S. policy toward Egypt. Among the many suggestions, the following are most frequently proffered:

- *Hard Line Approach* – Often espoused by those who believe in a principle-based foreign policy; regime opponents and democracy advocates have asserted that the United States government should publicly express its concern over the regime’s human rights and political freedom record. If foreign assistance is to continue, they argue, the United States should channel funds toward democracy promotion inside Egypt. The Egyptian government has resisted attempts to pressure it internally, and some experts believe that this approach would harm, among other things, bilateral military and security cooperation.
- *Quiet Approach* – Often espoused by foreign policy “realists,” some argue that because of the power differential between the two countries and Egypt’s history of colonialism, U.S. policymakers should raise sensitive issues behind closed doors in order not to embarrass the regime publicly. Strong supporters of the bilateral relationship would like to see, in the spirit of the 1979 peace treaty, U.S. assistance to Egypt restored to a 3:2 ratio with U.S. aid to Israel. Private sector interests would like to see the bilateral relationship evolve from one based primarily on military and intelligence cooperation to a partnership based on the promotion of mutually beneficial trade and investment.
- *Multipronged Approach* - Some experts believe that U.S. security interests and efforts to promote reform in Egypt are not necessarily mutually exclusive. According to a report by the Brookings Institution, “Fortunately, there is not a zero-sum tradeoff between promoting democracy and protecting stability in Egypt. Indeed, a wise policy would pursue both goals simultaneously, through cooperative measures.”¹ Analysts cite the 2004 Memorandum of Understanding on financial-sector reform as an instance where dialogue produced U.S.-Egyptian agreements on a reform agenda, which was supported by and tied to American aid. At the same time, advocates of a multipronged approach argue that U.S. assistance can and should support government-to-government reform projects alongside support for independent civic groups. As part of this policy approach, analysts suggest that policymakers should hold Egyptian leaders accountable for their own promises, such as President Mubarak’s 2005 campaign vow to end the emergency laws.

Latest Developments

- On August 17 and 18, President Hosni Mubarak visited Washington, D.C. for the first time in five years. He was accompanied by his entire cabinet, including Intelligence Chief Omar Suleiman, and by his son, Gamal Mubarak. The presidents discussed how to jump-start the moribund Israeli-Palestinian peace process. In an interview following his trip, Mubarak stated that “Some Arab countries that exchanged representatives and trade offices might think of reopening these offices if Israel committed itself to stop settlement expansion and to resume final-status peace negotiations.”² Some experts believe that Egypt also may be pressing the Obama Administration to engage Hamas leaders in order to

¹ Michele Dunne and Tamara Cofman Wittes, *Democracy In Egypt: Necessary Ingredient in a U.S.-Egyptian Partnership*, Brookings Institution, August 17, 2009.

² “In US, Egypt Leader puts Onus on Israel,” *Agence France Presse*, August 17, 2009.

facilitate Palestinian reconciliation. President Mubarak also held meetings with various American Jewish³ and Egyptian-American groups and representatives. Overall, some commentators have suggested that Mubarak's low-key August visit was a return to an earlier era of U.S.-Egyptian diplomacy, in which dialogue takes place primarily at the highest levels behind close doors. Some democracy activists and Egyptian opposition activists protested the visit and have called on the Obama Administration to take a more principled stance on promoting political reform inside Egypt.

- In August 2009, Egyptian security forces uncovered and arrested a terrorist cell which allegedly had been planning to assassinate Israel's Ambassador to Cairo Shalom Cohen. Israeli Prime Minister Benjamin Netanyahu thanked President Mubarak for the efforts of his security forces.
- In July 2009, an Israeli Dolphin-class submarine and SAAR V-Class warships passed through the Suez Canal on their way to conduct military exercises in the Red Sea, presumably as a signal to Iran. According to one source, Israeli maneuvers began in mid-June and involved a drill in the Red Sea by the nuclear submarine *Leviathan*.⁴ Egyptian officials publicly stated that they had granted the Israeli vessels permission to pass through the Canal. According to one unnamed Israeli official, "This is preparation that should be taken seriously. Israel is investing time in preparing itself for the complexity of an attack on Iran. These maneuvers are a message to Iran that Israel will follow up on its threats."⁵
- In June 2009, following President Obama's historic speech in Cairo, U.S. Under Secretary of State for Political Affairs William J. Burns represented the United States government in its annual strategic dialogue⁶ with Egyptian officials. In addition to high-level meetings with officials, Under Secretary Burns also met with representatives of civil society organizations, such as the Cairo Institute for Human Rights Studies (CIHRS) and the Egyptian Organization for Human Rights.⁷
- In June 2009, Egypt's Nuclear Power Plants Authority formally signed a consultancy contract with the Australian firm Worley Parsons. Several months earlier, it had been reported that U.S. firm Bechtel⁸ had successfully bid for the 10-year, \$175 million contract to guide Egypt's civilian nuclear reactor construction program, but reportedly negotiations stalled, and Egypt chose the

³ The American Jewish groups which met with President Mubarak include the Anti-Defamation League, J Street, B'nai B'rith International, the American Jewish Congress, the Israel Policy Forum, the Jewish Council for Public Affairs and AIPAC. See, "U.S. Jewish leaders: Mubarak 'surprisingly positive' on Netanyahu," *Ha'aretz*, August 18, 2009.

⁴ Israel reportedly has three Dolphin-class capable of launching nuclear-tipped, long-range cruise missiles. Two more are currently being built in Germany for deliveries by 2014. See, "Iran threat steers Israeli navigation of Red Sea," *Jane's Defense Weekly*, July 7, 2009.

⁵ "Israeli Navy in Suez Canal Prepares for Potential Attack on Iran," *The Times (UK)*, July 16, 2009.

⁶ The U.S.-Egyptian strategic dialogue was first started in 1998 during the Clinton Administration. It is designed to expand cooperation and resolve disagreements in talks conducted annually at the highest levels of the U.S. Department of State and the Egyptian Ministry of Foreign Affairs. See, *U.S. Department of State Press Statement by James P. Rubin*, Spokesman, July 16, 1998.

⁷ "Strategic Dialogue Launched," *Al Ahran Weekly Online*, June 17, 2009, Issue 951.

⁸ In 2009, Bechtel hired former U.S. Ambassador to Egypt and former Assistant Secretary of State for Near East Affairs David Welch to be vice president for Europe, Africa, the Middle East and Southwest Asia.

runner-up in the bid process, Worley Parsons. The contract includes providing guidance on design specifications and location for the construction of several power plants over the next decade. Just days after Bechtel’s contract annulment, other reports surfaced that the International Atomic Energy Agency (IAEA) is investigating the discovery of traces of highly enriched uranium at a nuclear research site in Egypt. The IAEA stated that the traces turned up in environmental swipe samples taken at Egypt’s Inshas nuclear research site sometime between 2007 and 2008. The Egyptian government has downplayed the discovery, asserting that materials “could have been brought into the country through contaminated radio-isotope transport containers.”

Figure 1. Map of Egypt



Current Issues in U.S.-Egyptian Relations

Presidential Succession: Who will Follow Hosni Mubarak?

Uncertainty over the potential successor to 81-year-old President Hosni Mubarak has clouded Egyptian domestic politics and U.S.-Egyptian relations for the last decade.⁹ In 2009, there have been rumors in the Egyptian press suggesting that Mubarak's health has deteriorated, that he is frail, and that he is emotionally distraught over the death of his 12-year-old grandson. Another wave of arrests of Muslim Brotherhood leaders accompanied by speculation that parliament would dissolve early and new elections would follow also have contributed to the uncertain atmosphere surrounding the President's future.

Based on a series of constitutional amendments enacted in the last few years, ruling elites have worked to establish the veneer of a legal framework to facilitate a smooth transition of power, despite claims by the opposition that the amendments are illegitimate. For potential presidential candidates not from the ruling National Democratic Party (NDP), Egyptian law sets a high bar for establishing eligibility to run. For example, amended Article 76 states that for any candidate to run for president, he or she has to gain the approval of 250 members of elected assemblies and municipalities, including, among other signatures, 25 members of the Shura Council (upper house), which is almost entirely composed of pro-ruling party members. In addition, a candidate representing a political party must be a member of the party's respective higher board for at least one year. Parties that have had at least one member in either house of parliament since May 1, 2007, are eligible to nominate a candidate for the presidency until 2017. Finally, all parties that nominate a candidate must have been legally operating for at least five consecutive years before the starting date of candidature.

The next presidential election is scheduled for the fall of 2011. Gamal Mubarak, the President's 46-year-old son, is, according to most experts, the overwhelming favorite to follow his father. The younger Mubarak has had a meteoric rise to the highest levels of the NDP, suggesting to many observers that his accession to the presidency may be imminent. Gamal Mubarak is already deputy/assistant secretary general of the NDP party, and was appointed to the NDP's new 50-member Supreme Council, which will choose the party's presidential candidate. In the summer of 2009, the Coptic Pope Shenouda III wholeheartedly endorsed Gamal Mubarak stating, "I wish and pray for God to prolong Hosni Mubarak's life, but the presidency issue has got nothing to do with succession.... Most Egyptians love Gamal Mubarak and they will vote for him ahead of any other candidate running against him in elections—that is if they find anyone to run against him."¹⁰ During President Mubarak's visit to the United States in August 2009, he stated in an interview that "We have never discussed it. Nobody knows who will succeed—we have elections. When the time comes for elections, the people will vote."¹¹

Should the Muslim Brotherhood, Egypt's only organized opposition movement, choose to oppose an NDP candidate, the group would need to field an independent candidate. The Brotherhood is an illegal organization and is not recognized as a political party. Therefore, it is highly unlikely

⁹ In 2004, President Mubarak fainted during a speech before parliament generating rumors that his health was rapidly deteriorating.

¹⁰ "Coptic Pope Likes President's Son, *Los Angeles Times*, July 29, 2009, Babylon & Beyond Blog.

¹¹ "I have Never Discussed Succession with my Son," says Mubarak," *Daily News Egypt*, August 18, 2009.

that it can obtain the necessary signatures of standing politicians, most of whom are NDP members.¹²

Unless a new figure comes to light in the next two years, analysts have speculated that the only other viable candidate for the presidency is Egyptian intelligence chief Omar Suleiman. However, at age 73, it is unlikely that Suleiman, should he become president, would rule for a long period of time. Furthermore, as head of Egypt's General Intelligence Service (GIS), Suleiman would need to retire from military service since active-duty military officers are not allowed membership in political parties. In addition, if Suleiman desired party sponsorship, he would need to be a member of a party's supreme council for at least one year before the election. Suleiman is currently engaged in a number of sensitive diplomatic operations and is one of President Mubarak's closest confidants, making his departure from military service unlikely.

Among the various transition scenarios posited, observers suggest the following would appear to be the most credible:

- In 2011, Gamal Mubarak represents the NDP against a token opposition figure. Omar Suleiman is retained as intelligence chief and continues to manage sensitive foreign affairs issues and internal security. Others have speculated that this scenario is likely several years after 2011, noting that President Mubarak could stand for reelection in 2011.
- An Egyptian military officer carries out a soft coup, in which constitutional proceedings are set aside and civilian elites quietly acquiesce to the military's reassertion of power. According to Michele Dunne, an expert on Egypt at the Carnegie Endowment for International Peace, "Some Egyptian observers believe that the military will intervene and put one of its own into the presidency instead of Gamal, perhaps with support from members of the NDP old guard. As there are no military officers in the Supreme Council, such a course would require setting aside or twisting the elaborate legal and constitutional framework developed in the last two years, which seems unlikely under present circumstances but remains possible."¹³

If President Mubarak becomes incapacitated or dies in office, Article 84 of the Constitution states:

In case vacancy of the Presidential office or the permanent disability of the President of the Republic, the Speaker of the People's Assembly shall temporarily assume the Presidency; and, if at that time, the People's Assembly is already dissolved, the President of the Supreme Constitutional Court shall take over the Presidency, provided, however, that neither shall nominate himself for the Presidency, subject to abidance by the ban stipulated in paragraph 2 of Article 82. The People's Assembly shall then proclaim the vacancy of the office of President. The President of the Republic shall be chosen within a maximum period of 60 days from the day the Presidential office becomes vacant.

¹² Article 76 states that signatures must come from "250 elected members of the People's Assembly, the Shura Council and local popular councils on governorate level, provided that those shall include at least 65 members of the People's Assembly, 25 of the Shura Council and ten of every local council in at least 14 governorates."

¹³ Michele Dunne, "Egypt's National Democratic Party: The Search for Legitimacy," *Carnegie Endowment for International Peace*, November 16, 2007.

Some analysts fear that a less-than-smooth transition of power could open the door for the Muslim Brotherhood to mobilize its supporters and demand an Islamist government. If such a situation were to occur, many observers wonder whether the military and security establishment would remain in their barracks or reenter politics to establish order. Recent unrest in Iran following its disputed election has raised concern that similar unrest could take place in Egypt. Others assessments have been less dramatic, as many experts believe that the Egyptian political system is stable and that the chances of popular revolution or military counter-coup are remote. Egyptians themselves have admitted that widespread popular apathy and disenchantment with politics overall are some of the steepest obstacles for reformers to overcome.

Egypt and the Israeli-Palestinian Conflict

Overview

Although Egypt's regional prominence has gradually declined over decades, it still plays a vital role assisting the United States government in navigating the complexities of the Israeli-Palestinian conflict, intra-Palestinian politics, and the overall quest for Middle East peace. Egypt has continually sought a more active U.S. role in peacemaking and, like most Arab countries, has criticized U.S. support for Israel as "unbalanced." Nevertheless, Egypt and Israel have maintained their 1979 peace treaty obligations and, although their relations remain cool, have conducted a dialogue on issues of mutual concern, such as isolating Hamas. Egypt is a firm supporter of the Palestinian Authority (PA) government in the West Bank and has unsuccessfully tried for months to secure a Palestinian unity government which could reestablish a PA presence in Gaza.

Most importantly, Egypt would like to keep Hamas contained. The secular Mubarak regime is opposed to Islamists wielding real political power, and it fears that Hamas could serve as a model for Egyptian Muslim Brotherhood activists who may seek to establish an Iranian-style theocracy in Egypt. In addition, Egypt seeks to maintain a mostly sealed border with Gaza in order to keep Palestinian civilians from entering the Sinai peninsula in large numbers, as they did during a January 2008 border breach. According to one Palestinian commentator, "For Egypt, the issue of Hamas is not just about politics and their relationship with the Muslim Brothers. It is also about security and Hamas's relationship with Sinai Bedouins. Cairo fears the prospect of Hamas sleeper cells in Sinai being activated to carry out anti-Israeli attacks."¹⁴

For several years, General Omar Suleiman has spearheaded Egypt's regional diplomatic efforts. Suleiman has close contacts with high-level Israeli and Palestinian officials, including Hamas leaders, and is generally well regarded in U.S. policymaking circles and Congress. In June 2008, Suleiman was instrumental in brokering an unofficial "cease-fire" between Israel and Hamas. The United States supported Egypt's role as a mediator between Israel and Hamas, which, as a U.S.-designated Foreign Terrorist Organization (FTO), is sanctioned by the U.S. government.

Current Egyptian Mediation Efforts

Egyptian diplomacy between rival Palestinian factions and Israel and Hamas is focused on achieving a Palestinian unity government and a prisoner exchange¹⁵/long-term Israeli-Hamas

¹⁴ International Crisis Group, *Gaza's Unfinished Business*, Middle East Report #85, April 23, 2009.

¹⁵ Israel has been trying to secure the release of Cpl. Gilad Shalit, an Israeli soldier kidnapped by Hamas on June 25, (continued...)

cease-fire. When taken together and if successful, these conditions would, in Egypt's view, lay the necessary foundation for all sides to begin final-status negotiations for a permanent settlement to the conflict. However, while Egyptian officials have conducted multiple rounds of talks and shuttle diplomacy, their efforts have borne little fruit, as there have been no major breakthroughs in the Israel-Hamas and Hamas-Fatah talks. Hamas has reportedly demanded that any prisoner exchange deal for captured Israeli Corporal Gilad Shalit involve the return of an estimated 450 Palestinian prisoners, including several high-profile leaders such as Fatah leader Marwan Barghouti, who was just elected to the Palestinian faction's Central Committee.¹⁶

Egyptian-mediated Palestinian unity talks are stalled over differing views on how to integrate PA and Hamas security operations, when and how to conduct Palestinian presidential and legislative elections, and whom to appoint to government positions. Both sides have had difficulty in discussing the critical issues at play, as they instead have focused on consolidating their power in the territories they respectively control. It is possible that both factions are content to preserve the status quo until elections draw nearer (possibly in January 2010), with each hoping that developments in the meantime will strengthen its legitimacy and popularity vis-à-vis the other.

The Smuggling Tunnels

Though it has persisted for decades, smuggling via a network of underground tunnels beneath the 8-mile Egypt-Gaza border has become widespread due to Israel's total blockade of Gaza, Hamas's demand for weapons, and the lack of viable economic alternatives to black-market activity on both sides of the border. Over the last three years, arms smuggling has increased dramatically due to intra-Palestinian fighting and Israeli-Palestinian violence. At the same time, the demand for commercial items inside Gaza has skyrocketed due to the international aid boycott of the Palestinian Authority that followed the formation of a Hamas-led government in 2006 and Israel's closure of the Gaza Strip following Hamas's 2007 Gaza takeover.

One goal of Israel's 2008-2009 war in Gaza was to destroy as many underground tunnels as possible. Although Israeli military officials estimate that repeated aerial bombardments destroyed hundreds of tunnels, numerous reports indicate that smuggling activity has resumed. Experts note that a number of systemic factors contribute to the ongoing smuggling trade between Egypt and Gaza, including:

- *the prevalence of smuggling amongst Egyptian Bedouins in the Sinai Peninsula.* The Bedouin community is largely self-governed and partially dependent on smuggling goods, people, drugs, and arms for its livelihood. Aside from the tourist industry, the Egyptian government has invested little in Bedouin areas. Furthermore, the 1979 Israel-Egypt peace treaty limits the number of Egyptian army and police forces who can patrol parts of the Sinai, making it difficult to enforce the rule of law there.
- *the ease of tunnel construction.* According to numerous media reports, tunnels are financed by tightly knit Palestinian and Bedouin clans on both sides of the

(...continued)

2006.

¹⁶ "Israeli Source Confirms Progress on Shalit Deal, US Said Involved in Efforts," *Open Source Center*, August 13, 2009, OSC Summary, Document ID#GMP20090813738007.

border for \$30,000-\$120,000 each, depending on a tunnel's length and depth.¹⁷ The equipment needed to build a successful tunnel (electric generators, cable, telephone wire, pipes, plastic containers) is widely available, and labor costs are cheap. Once built, a tunnel can recoup its owner's investment in just a few months, and Hamas allegedly taxes proceeds from the sale of smuggled goods, giving the group a vested interest in the enterprise.¹⁸

- *the lack of security forces on both sides of the border with the political will to halt smuggling.* On the Gaza side of the border, there is no non-Hamas entity capable and/or willing to stop smuggling. In fact, authorities there encourage and, as previously mentioned, even tax the trade. On the Egypt side, a 750-man Egyptian Border Guard Force (BGF) was deployed along the border following Israel's withdrawal from Gaza in 2005.¹⁹ Over the last two years, Israel has questioned Egypt's political will to stop arms smuggling, though in recent months Israel has refrained from its previous public criticisms. In August 2008, Israeli defense officials acknowledged that they had received information from IDF military intelligence that Egypt was making an extra effort to curb the flow of weaponry and explosives into Gaza.²⁰ Although Egypt may be more diligent in halting weapons smuggling, others allege that BGF troops look the other way when it comes to smuggling items other than guns and ammunition. According to one tunnel owner, "There's too many people interested in keeping the tunnels open. There's too much money to be made."²¹ In July 2009, two Egyptian policemen were arrested for accepting a \$5,000 bribe to smuggle a Palestinian family cross into Egypt via the Rafah border crossing.²²

U.S. Border Monitoring and Tunnel Detection Assistance

In late 2007, the Bush Administration and the Egyptian government agreed to set aside \$23 million of Egypt's FY2009 Foreign Military Financing (FMF) toward the procurement of more advanced detection equipment, such as censors, surveillance cameras, remote-controlled robotic devices, seismic-acoustic tunnel detection equipment, and the computers to process seismic data.²³ On June 16, 2008, U.S. Embassy in Cairo Spokesman Robert Greenan said that a U.S. Defense Department team had begun training Egyptian forces in using electronic equipment, including instruments that measure ground fluctuations, to detect smuggling tunnels.²⁴ According to the Egyptian Embassy in Washington, DC, "In October 2008, training sessions for Egyptian officers were held in Egypt to use the new equipment at a training site set specifically for that

¹⁷ "Gaza's Subterranean Resistance," *The National*, January 22, 2009.

¹⁸ " Hamas Making \$20 million a Month from Gaza Smuggling Tunnels," *Ha'aretz*, August 31, 2008.

¹⁹ When Israel unilaterally dismantled its settlements and withdrew its troops from the Gaza Strip in August 2005, it negotiated a new security arrangement with Egypt to bolster efforts to secure the Egyptian side of Rafah. After extensive Israeli-Egyptian talks, Egypt deployed 750 border guards to secure the Philadelphi Route. The memorandum of understanding between Israel and Egypt delineated the type of equipment the Egyptians may use (small arms and jeeps, no heavy armor) and the length of the patrol area (14km on the ground and 3 km into the sea).

²⁰ "Intel Branches Split on Egypt's Role," *Jerusalem Post*, August 5, 2008.

²¹ "Gaza Smugglers Ready to Resume Work," *Associated Press*, February 11, 2008.

²² "Egypt Police Arrested Smuggling Gaza Family," *Daily News Egypt*, July 14, 2009.

²³ "Egypt to Bolster Gaza Border," *Washington Post*, January 7, 2008.

²⁴ "US trains Egypt Forces in Gaza Tunnel Detection," *Agence France Presse*, June 16, 2008.

purpose. Pentagon officials commended the seriousness and skills of the Egyptian officers trained to use the equipment. The BGF started employing the new U.S. equipment upon their arrival in January 2009.”²⁵ Equipment installations for advanced cameras, sensors, and ground-penetrating radar are being completed and training provided by the U.S. Army Corps of Engineers. Egypt may also be planning additional purchases of helicopters, ambulances, hummer patrol vehicles, ground to air radios, and Motorola base radios to upgrade its military presence along its border with Gaza. In FY2009, Congress provided Egypt with \$50 million in Nonproliferation, Antiterrorism, Demining, and Related Programs (NADR) aid for the purchase of Backscatter x-ray machines to be used at the Rafah border crossing.

Reports indicate that U.S. assistance to the BGF in Rafah is somewhat deterring smuggling activity. According to one Gaza tunnel owner, “The Egyptians have deployed everywhere on the other side and they have set up cameras. We haven’t been able to bring anything.”²⁶ According to another smuggler, “The Egyptians are closing the tunnels because the Jews and the Americans are putting pressure on them.... The situation now is dangerous.”²⁷ In another report, a smuggler stated, “We know the Egyptian police established checkpoints to stop shipments coming to the tunnel areas.... They ambushed trucks at tunnel shafts and they confiscated the goods before they bombed the tunnel.”²⁸ Reportedly, Egyptian forces also are pumping water into tunnels to cause them to collapse, while Hamas has accused Egypt of using gas to suffocate smugglers. Israeli security officials suggest that Egyptian efforts have stymied some arms smuggling, but Hamas weapons trafficking continues. According to Israeli Military Intelligence Chief Amos Yadlin, “The situation is better than before, but the Gaza Strip has still not been hermetically sealed to smuggling.”

Containing Iran’s Regional Influence

Throughout history, Egypt and Iran have, at times, been fierce rivals, a natural outgrowth of the region’s balance of power. Egypt envisions itself as the standard-bearer of Arab nationalism, and Persian Iran serves as a foil. During the Cold War, Egypt was militarily aligned with the Soviet Union while Iran was a U.S. client state. Then, in the late 1970s, as a result of the Camp David Peace Accords and the Iranian revolution, Egypt and Iran essentially traded places in their regional allegiances. Egypt’s peace treaty with Israel resulted in a much closer relationship with the United States, while Iran’s revolutionary theocratic government perceived the United States, its moderate Arab allies, and Israel as its primary adversaries in the Middle East, and Iran developed a closer relationship with Russia. For over 30 years, this pattern has persisted and, in recent years, new dimensions have been added to the Egyptian-Iranian rivalry.

Iran and Egypt severed diplomatic ties in 1980, a year after the Iranian revolution. Iran not only objected to Egypt’s peace treaty with Israel, but also to its hosting of the deposed Shah and its support for Iraq during the 1980-1988 Iran-Iraq war. As a provocation, Iran applauded the assassination of former Egyptian President Anwar Sadat, naming a street after the assassin (Khalid Islambouli). The Egyptians have insisted that this street be renamed and the mural of Islambouli along side it be removed before normal ties can be restored.

²⁵ Embassy of Egypt Fact Sheet, February 6, 2009.

²⁶ "Gaza Smugglers Say Egypt Tightening Tunnel Trade," *Agence France Presse*, February 8, 2009.

²⁷ "Israel: Rafah Tunnel Smugglers Say Business Down 60% After IDF Operation," *Jerusalem Post*, February 6, 2009.

²⁸ "Egypt Puts the Bite on Gaza Tunnel Smugglers," *Reuters*, April 28, 2009.

Currently, Egypt is concerned about Iran's support for Palestinian militants, particularly Hamas, Iran's influence in Iraq, and Iran's nuclear program. Hamas's control of the Gaza Strip poses a challenge for neighboring Egypt. Hamas's call for armed resistance against Israel and its alleged Iranian financial and military support²⁹ runs counter to Egypt's foreign policy, which is largely based on its peace treaty with Israel and friendly relations with the United States.

A nuclear-armed Iran and its effect on the regional balance of power is a pressing security concern. Egypt firmly opposes Iran's nuclear ambitions, and, as is the case with its stance toward Israel's clandestine nuclear program, Egypt has called for a "nuclear-free zone" in the Middle East. Egypt is a signatory to the Nuclear Non-Proliferation Treaty (NPT) and has pledged not to develop weapons programs of its own. It also has rebuffed U.S. talks of a nuclear shield protecting Gulf states and possibly Egypt from an Iranian attack.

In 2006 the Mubarak government announced its intention to develop a civilian nuclear energy program.³⁰ To date, progress on development has been slow, and most experts expect that it will be at least a decade before the construction of nuclear power plants will be completed. Although Egypt may have legitimate energy shortfalls driving the pursuit of nuclear energy, most analysts suspect that concern over Iran's quest for nuclear weapons helped jumpstart the Egyptian initiative.

Between 2007 and 2008, for reasons not entirely clear, Egypt and Iran began a dialogue to tentatively explore improving bilateral relations. During that period, Iran had been reaching out to a number of Sunni Arab states, in—as some commentators called it—a charm offensive designed to assuage fears of its regional ambitions and nuclear program. Egypt also may have been looking to raise eyebrows in U.S. policymaking circles, hoping that its independent initiative with Iran might draw more Bush Administration attention and political support at a time when relations had been strained due to U.S. concerns about human rights in Egypt.

In December 2007, Iranian National Security Council Chief Ali Larjani, a close aide to Supreme Leader Ali Khamenei, visited Egypt and held talks with President Mubarak. As a follow-up, on January 30, 2008, Mubarak held talks with Iran's then Majles (parliament) Speaker Gholam Ali Haddad Adel in Cairo. Adel was the first senior Iranian parliamentary official to conduct high-level talks with Egyptian counterparts in three decades. At the end of March 2008, Former Iranian President Mohammed Khatami visited Cairo for additional discussions.

However, the supposed Egypt-Iran rapprochement was short-lived, as neither side appeared ready to reconcile differences. In July 2008, an Iranian group, the Committee for Commemoration of

²⁹ In the aftermath of Israel's Operation Cast Lead in Gaza between December 2008 and January 2009, Hamas reportedly sought Iranian military assistance in replenishing and upgrading its stockpiles. According to one report in *Jane's Defence Weekly*, an arms convoy destroyed by Israeli aircraft while transiting through Sudan on its way to the Egypt-Gaza border was carrying Iranian-supplied Russian Iglas (SA-16 'Gimlet') and Iglas (SA-18 'Grouse') surface-to-air missiles (SAMs) as well as what the security and intelligence sources said were Stinger missiles. See, "Iran was Source of Hamas SAMs Destroyed in Sudan Airstrike," *Jane's Defence Weekly*, April 3, 2009.

³⁰ Egypt's nascent nuclear program was frozen in 1986 following the accident at the Chernobyl power plant in the Ukraine; however, it maintained a small experimental nuclear reactor. In May 2009, the International Atomic Energy Agency (IAEA) reported that it had found traces of highly enriched uranium in Egypt. Egypt is a signatory to the Nuclear Non-Proliferation Treaty (NPT) that allows for the peaceful production of nuclear energy. In 2005, the IAEA investigated Egypt's nuclear activities and concluded that Egypt had conducted atomic research but that the research did not aim to develop nuclear weapons and did not include uranium enrichment. Egypt admitted failing to disclose the full extent of its nuclear research activities to the IAEA.

Martyrs of Global Islamic Movement, re-edited an old *Al Jazeera* documentary on the murder of former Egyptian President Anwar Sadat and released it publicly as a new documentary entitled, "Execution of a Pharaoh." The film positively portrayed Sadat's assassin as a martyr. Although Iran attempted to distance itself from the film, relations again soured. In October 2008, Egyptian Foreign Minister Ahmad Abu al Ghayt warned Iran that anyone "who intervenes in Egypt's internal affairs will not be happy with the response they receive. The Iranians cannot interfere in our internal affairs."³¹

Although Egyptian-Iranian relations have been cool for decades, tensions remained relegated to the diplomatic and cultural spheres. However, in April 2009, the discovery of an alleged Hezbollah military cell in Egypt significantly heightened tensions. On April 8, 2009, the Egyptian government declared that it had uncovered a 49-person Hezbollah "cell" clandestinely operating in Egypt. According to authorities, cell members had been monitoring ship traffic at the Suez Canal and were planning terrorist attacks against Sinai tourist resorts, particularly those frequented by Israelis. Egypt also accused Hezbollah of smuggling weapons to Hamas along the Egypt-Gaza border and spreading "Shi'ite ideology" inside Egypt. On April 10, Hezbollah chief Shaykh Hassan Nasrallah acknowledged that one of the plotters in custody had been dispatched to Egypt to conduct "reconnaissance" for Hezbollah.

The revelation of a Hezbollah cell serves Egyptian interests in several ways. First, it draws a sharp contrast between it and Iran, the primary U.S. and Israeli adversary in the region. By demonstrating that Egypt is a direct target of Iran's regional meddling, Egypt may hope to rally other moderate Arab states behind it, while placing Iran's Arab allies (such as Hezbollah, Hamas, Syria, and Qatar) on the defensive. Egypt also may be trying to discredit arguments for diplomatic engagement with Iran by taking a harder line.

The cell's "discovery" also comes nearly two weeks after *CBS News* reported that, in January 2009—at the height of Israel's Operation Cast Lead in Gaza—the Israeli Air Force allegedly had conducted an air strike against trucks driving from Sudan to Egypt, carrying Iranian-supplied weapons bound for Hamas militants. News of Israel's air strike may have temporarily embarrassed Egypt, which, as a result, may have been eager to demonstrate its resolve to act decisively against Iranian intelligence and weapons smuggling in its sphere of influence. Finally, Egyptian leaders had been eager to retaliate against Iranian-backed Hezbollah after the Lebanese Shiite organization called for the overthrow of the Mubarak regime for its alleged lack of support to Palestinians in Gaza during Israel's Operation Cast Lead between December and January 2009.

Overall, so long as Iran pursues a nuclear program and continues to strongly back Hamas and Hezbollah, Egypt will feel threatened and will work to counter Iranian policy, despite Iran's occasional efforts to court Egypt in order to bolster its own regional diplomatic position, particularly among the Arab states. However, a direct confrontation appears highly unlikely. For now, Iran will use non-state actors to provoke and pressure Egypt, while the Mubarak government will continue to rally other Sunni Arab states around its mantle of leadership to keep Iran in check. Egypt also will continue to demand that Israel and the United States prioritize the Arab-Israeli peace process in order to reduce the appeal of Iran's so-called axis of resistance.

³¹ "Egypt Wary of Iran's Perceived Growing Influence in Region," *Open Source Center*, November 5, 2008, pp. GMP20081105425001 Egypt, Iran -- OSC Report in English .

The Economy and U.S-Egyptian Trade and Investment

By far, the biggest challenge facing Egypt today is its ability to remain competitive in the global economy and build a 21st century workforce. The obstacles to meeting these goals are familiar to many observers and other developing nations: high poverty levels,³² an inadequate and overstressed education system, inadequate housing and decaying infrastructure, and pervasive corruption, among other problems. In 2008, Egypt was ranked 115 out of 180 countries on Transparency International's Global Corruption Perception Index.³³ Egyptians themselves understand their challenges, and an economic “dream team”³⁴ of well-regarded economists and businessmen has been spearheading an economic reform program that, together with high global oil prices, achieved successive years of strong growth between 2005 and 2009.

Economic growth in Egypt rests on the government's ability to stimulate the private sector. The state can no longer guarantee employment for every young Egyptian, particularly the hundreds of thousands of college graduates entering the labor market each year. According to the World Bank *Doing Business 2008* report, Egypt's pace of business reforms and deregulation between 2006 and 2007 ranked first worldwide. In recent years, the state has reinvigorated its privatization program by divesting shares in the state-dominated banking and insurance sectors. Additionally, the government removed import service fees and surcharges and reduced the average weighted rate for tariffs. The government also streamlined the tax system, canceled many customs duties, and forced smaller banks to merge with the country's four largest banks. Nevertheless, according to the U.S. Department of Commerce 2009 Country Commercial Guide for Egypt, “Although the reformers have developed considerable momentum, red tape remains a business impediment in Egypt, including a multiplicity of regulations and regulatory agencies, delays in clearing goods through customs, arbitrary decision-making, high market entry transaction costs, and a generally unresponsive commercial court system.”³⁵

Egypt and the Global Financial Crisis

Egypt, like the rest of the global economy, is expected to experience modest growth in 2009 and perhaps through 2010 as well. Economists predict GDP growth of 4% in both 2009 and 2010, and inflation remained high at just under 10% as of June 2009.³⁶ Foreign direct investment also has dropped off, from a high of over \$13 billion between 2007/2008 to \$5.2 billion between 2008/2009.³⁷ The global recession has affected Egypt's tourism industry, Suez Canal revenues, and its general manufacturing sector.³⁸ Tourism, which employs 10% of all Egyptian workers, and Canal revenues are major sources of foreign currency earnings, and steep declines may affect the Central Bank of Egypt's ability to cover import costs over the long term. However, Egyptian

³² In Egypt, an estimated 20% of the country's 80 million citizens live in poverty (international estimates suggest that up to 40% of Egyptians live on less than \$2 a day.)

³³ See, http://www.transparency.org/policy_research/surveys_indices/cpi/2008

³⁴ The architects of Egypt's liberalization plan include Ministers of Finance Youssef Boutros-Ghali, Minister of Investment, Mahmoud Mohieddin, and Foreign Trade and Industry Minister Rachid Mohamed Rachid.

³⁵ U.S. Department of Commerce, *Doing Business in Egypt: 2009 Country Commercial Guide for U.S. Companies*.

³⁶ International Monetary Fund, Arab Republic of Egypt—IMF Staff Visit, Concluding Statement, July 16, 2009.

³⁷ According to the Egyptian central bank, the oil and gas sector was the largest single recipient of foreign direct investment, accounting for 68.8% of the total between 2008 and 2009.

³⁸ Egypt's banking sector has remained strong due to its rudimentary nature and lack of exposure to investments in mortgage-backed securities.

consumers should benefit from an overall decline in global commodity prices. According to the *Economist Intelligence Unit*, inflationary pressures are tightly connected to food prices in Egypt, as domestic food consumption comprises 44% of the household basket of goods.³⁹

Income inequality is a major source of concern for both foreign observers and Egyptians themselves. Although agriculture accounts for a smaller percentage of GDP than in years past, nearly 30% of all workers are small farmers. There is a pervasive public perception that most middle- and lower-class Egyptians have not benefitted from recent years of strong macroeconomic growth. Egypt is the world's largest importer of wheat, and recent high food prices angered the general public and drained the government's coffers.⁴⁰ In order to ease public pressure, the government has raised public-sector wages, launched a stimulus plan, and expanded subsidy benefits for millions of citizens, though all these policies have added to Egypt's national debt. According to official figures, the budget deficit as a percentage of GDP will rise to 8.4% in 2010, up from 6.9% in 2009.

U.S.-Egyptian Trade

The United States is Egypt's largest bilateral trading partner, while Egypt is the United States' 52nd-largest trading partner. Egypt is one of the largest single markets worldwide for American wheat and is a significant importer of other agricultural commodities, machinery, and equipment. The United States also is the second-largest foreign investor in Egypt, primarily in the oil and gas sector.⁴¹ Since the mid-1990s, Egyptian officials have sought to negotiate a Free Trade Agreement (FTA) with the United States, claiming that an Egyptian-American FTA could boost Egypt's economy by as much as 3%. As a first step, the two parties signed a Trade and Investment Framework Agreement (TIFA) in 1999. The TIFA established a Council on Trade and Investment (TIFA Council) composed of representatives of both governments and chaired by the United States Trade Representative (USTR) and Egypt's Minister of Economy and Foreign Trade. Intellectual property rights (IPR) protection was a contentious issue in pre-FTA negotiations held under the TIFA. In 2008, the U.S. Trade Representative (USTR) moved Egypt to its Watch List (from Special 301 Priority Watch List), reflecting improvements in its enforcement of intellectual property rights. In the past, Egypt had been cited by U.S. trade officials for lax IPR enforcement and issuance of market approvals for unauthorized pharmaceutical products.

³⁹ "Country Report - Main report: Egypt," *Economist Intelligence Unit*, February 23, 2009.

⁴⁰ Bread is heavily subsidized in Egypt, with prices affordable to anyone, though in limited quantities. As food prices have increased, consumer demand for subsidized bread has risen. Many observers assert that the entire subsidy system is broken, as many government-subsidized bakeries conspire with corrupt bureaucrats and inspectors to sell their allotments to private bakeries. Larger families in need of more bread must turn to private distributors, whose prices skyrocketed in 2008, and shortages compelled President Mubarak to order the military to bake additional loaves. Between 2007 and 2008, an estimated 11 people died in bread lines either from heat exhaustion or stab wounds suffered in altercations for positions in line. In 1977, when the Egyptian government temporarily lifted its bread subsidy, 70 people were killed in rioting, and then President Sadat had to order the military to deploy to Cairo to restore order. For five days, the government lost control of its capital city.

⁴¹ The stock of U.S. foreign direct investment in Egypt was \$7.5 billion in 2007 (latest data available), up from \$6.5 billion in 2006. The Apache Oil Corporation is a major investor in Egypt's oil and gas sectors, and the single largest U.S. investor in Egypt. Other major American corporate investors include: American Express, AIG, American Standard, Bechtel, Bristol-Myers Squibb, Citibank, Coca-Cola, Commercial International Bank, Devon Energy, Energizer, ExxonMobil, Eveready, General Motors, GlaxoSmithKline, Guardian Industries, H.J. Heinz, Johnson and Johnson, Microsoft, Procter and Gamble, Pfizer, PepsiCo, Pioneer, and Xerox. Foreign investors in Egypt's energy sector must, by law, provide the Egypt General Petroleum Company a 15% stake in a local venture. Egypt's labor laws also restrict the foreign workforce composition of any one company operating in Egypt to 10%.

In May 2009, U.S. Trade Representative Ron Kirk and Egyptian Minister of Trade and Industry Rachid Mohammed Rachid signed a U.S.-Egyptian Plan for a Strategic Partnership, which aims to further promote economic cooperation between the United States and Egypt. According to Minister Rachid, “We want to double trade (with the United States) in the next four years.” As part of their announcement, both sides agreed to add two more Qualifying Industrial Zones in Upper Egypt (in Beni Suief and Al Minya).

Qualified Industrial Zones

In 1996, Congress authorized the creation of Qualified Industrial Zones (QIZ) in order to entitle goods jointly produced by Israel and either Jordan or Egypt to enter the United States duty free. In December 2004, Egypt finally reached an agreement with Israel to designate several QIZs in Egypt under the mandate of the U.S.-Israeli Free Trade Agreement. Goods produced in Egyptian QIZs allow Egyptian-made products to be exported to the United States duty-free if the products contain at least 10.5% input from Israel. Egypt would like to see this percentage reduced to around 8%, which is the case with the U.S.-Jordanian-Israeli QIZ agreement. Most products exported from Egyptian QIZs are textiles. According to the American Chamber of Commerce in Egypt, exports to the United States from Egypt’s 15 QIZs rose to \$744.7 million in 2008 up from \$288.6 million in 2005, and products manufactured in QIZs now account for one-third of Egyptian exports.⁴²

Table I. U.S.-Egyptian Trade: 2006-2008

\$s in millions

	2006	2007	2008
U.S. Exports to Egypt	4,132.7	5,346.8	6,030.0
U.S. Imports from Egypt	2,395.8	2,376.7	2,370.0
Balance	1,736.9	2,970.1	3,660.0

Source: TradeStats Express™ - National Trade Data,

Notes: Based on data collected by the Foreign Trade Division, U.S. Census Bureau.

Human Rights, Religious Freedom, and Women’s Rights

As a major recipient of U.S. assistance, Egypt has been of great interest to lawmakers, some of whom believe that portions of U.S. aid should be conditioned on improvements in Egypt’s human rights record. According to the U.S. State Department’s *2008 Country Reports on Human Rights Practices*, “the government’s respect for human rights remained poor, and serious abuses continued in many areas.” The 2008 report, as in past years, documents several instances of torture allegedly carried out by Egyptian security forces. The prison system, particularly detention facilities used for incarcerating suspected Islamist radicals, has come under increasing international scrutiny for exacerbating militancy in the region due to its tendency to harden some criminals who have been tortured over prolonged periods of time. Several of Al Qaeda’s leaders, including second-in-command Ayman al Zawahiri, are former prisoners in Egyptian jails.

⁴² “Peace Treaty’s Trade Tensions a Trial,” *The National*, March 26, 2009.

International human rights organizations have long documented instances of torture, arbitrary detainment, and discrimination against women, homosexuals, and Coptic Christians in Egypt. In 2007, the international human rights watchdog group *Human Rights Watch* commended the government for convicting two police officers on charges of illegally detaining, beating and then raping a 21-year-old mini-bus driver while he was in police custody.⁴³ However, some observers suggest that the incident was an attempt to placate the international community and would never have come to light had Egyptian bloggers not circulated a cell phone video of the beating over the internet.

Some Egyptian and international human rights activists have charged that U.S. human rights policy toward Egypt is hypocritical, asserting that U.S. policymakers have not adequately championed human rights in Egypt due to *realpolitik* considerations in the region. In addition, several reports suggest that, since the September 11, 2001, terrorist attacks, the U.S. Central Intelligence Agency has deported several suspected Al Qaeda operatives to Egypt (along with other Arab countries) in order to be interrogated and possibly tortured.⁴⁴ Some observers have questioned the credibility of U.S. human rights policy toward Egypt, if, on the one hand, the United States condemns Egyptian practices of torture and illegal detainment, and, on the other hand, condones Egyptian government behavior when it suits the interests of U.S. national security.

Religious Freedom

In its 2008 report on religious freedom in Egypt, the U.S. State Department concludes that “Although there were some positive steps in support of religious freedom, the status of respect for religious freedom by the Government declined overall during the period covered by this report.” The State Department attributes this decline to the continued failure of the Egyptian government to redress “laws and governmental practices that discriminate against Christians, effectively allowing their discriminatory effects and their modeling effect on society to become further entrenched.” Over the past year, there were several high-profile incidents involving violence against Copts in Upper Egypt, most notably a May 31, 2008, assault on the Abu Fana Monastery in Al Minya province.

Although the Egyptian constitution provides for equal rights without regard to religion, in practice, discrimination against Copts, Baha’is, and other small religious communities persists at the both the official and societal levels. In Egypt, certain residual issues can trigger outbursts of sectarian violence. These include:

- *Land disputes.* Conflicts over land ownership have triggered a number of violent incidents involving members of different religious sects, particularly in rural Upper Egypt.
- *Religious conversions.* The conversion of Copts to Islam, as well as the marriage of Coptic women to Muslim men, has been a constant irritant in Muslim-Coptic relations. Converts to Christianity in Egypt also may face bureaucratic obstacles in registering their new religious status with the government. There also is the

⁴³ “Egypt: Police Officers Get Three Years for Beating, Raping Detainee,” *Human Rights Watch*, November 7, 2007.

⁴⁴ Egypt has admitted that between 60 and 70 of its citizens have been seized abroad and flown to Egypt. See, “Inside the Dark World of Rendition,” *The Independent* (London), June 8, 2007.

issue of forced conversions. While the 2008 State Department report states that there were no reports of forced religious conversion carried out by the government, there were (as in past years) reports of forced conversions of Coptic women and girls to Islam by Muslim men, in some cases allegedly involving kidnapping, rape, and forced marriage. The State Department notes that these reports are disputed and often include inflammatory allegations and categorical denials.

- *Church repair and construction.* Copts have consistently complained of excessive bureaucracy when repairing or building churches. For example, the 10 articles of "Humayun," or the Humayun Code, a portion of Ottoman legislation from 1856, still controls the building or repair of churches in Egypt and is a source of great aggravation to Coptic Christians. Under this law, a license is required to erect a church. In addition, there are 10 restricting conditions for the construction of churches, including a minimum distance between churches and between a church and the nearest mosque, as well as the absence of objection on the part of Muslim neighbors. In December 2004, President Mubarak issued a new decree that devolved church repair and reconstruction decisions to the provincial level and stipulated that churches would be permitted to proceed with rebuilding and repair without legal hindrance. However, permits for construction of new churches require a presidential decree.

Typically, after an outbreak of Coptic-Muslim violence, both the government and the Coptic Orthodox Church rapidly respond to ease communal tensions. However, more often than not, the Egyptian government only acts to redress the immediate causes of violence rather than the underlying symptoms. Despite being nearly 10% of Egypt's population of 81 million, Copts are not widely represented at the highest levels of Egyptian institutions. There are few, if any, Christians serving as governors, police commissioners, city mayors, public university presidents, or deans. Christians hold less than 2% of the seats in the People's Assembly and Shura Council. There are few Christians in the upper ranks of the security services and armed forces. Public funds compensate Muslim imams but not Christian clergy.

There have been reports of periodic discrimination against small minority communities of Baha'is (an estimated 2,000 Baha'is live in Egypt). However, in January 2008, an Egyptian court ruled that Baha'is may obtain state documents if they omit listing their faith on their identification cards, a move that repudiates the Muslim religious establishment's longtime refusal to recognize the Baha'i faith. In March 2009, the Supreme Administrative Court upheld the lower court's ruling and allowed followers of the Bahai faith to obtain ID cards without falsely listing their faith as one of the only three recognized by the state. According to Hossam Bahgat, director of the Egyptian Initiative for Personal Rights, "It is a significant development in our legal history as a nation.... It is the first legal institution to sanction, or even accommodate, the idea that you can be Egyptian and follow a religion outside the three recognized ones."⁴⁵

In 2009, the United States Commission on Religious Freedom placed Egypt on its watch list due to "serious problems of discrimination, intolerance, and other human rights violations against members of religious minorities, as well as non-conforming Muslims, [which] remain widespread in Egypt."

⁴⁵ "Egyptians Win the Right to Drop Religion from ID Cards," *Christian Science Monitor*, April 20, 2009.

Women's Rights

Although Egyptian women played major roles in the country's drive for independence and many women currently serve in prestigious public posts, women face a number of obstacles at the legal, religious, and cultural levels. As in many parts of the Arab world, women are underrepresented in official leadership positions. Personal status laws governing marriage, divorce, custody, and inheritance discriminate against women. Domestic violence also is a major issue, as some estimate that as many as one-third of all married Egyptian women have faced some form of physical abuse.⁴⁶ In recent years, new non-governmental organizations have started to provide services and counseling to women who may be too afraid to go to the authorities. Sexual harassment also is a daily challenge for many women. According to a 2008 study released by the Egyptian Center for Women's Rights (ECWR), 62% of Egyptian men admit to sexually harassing women and 83% of Egyptian women reported being harassed.⁴⁷ Female genital mutilation (FGM) remains a serious problem because of widespread cultural acceptance, despite the government's attempts to eliminate the practice.

Quota for Women in Parliament

In the spring of 2009, parliament passed a new law⁴⁸, which expanded the seats in the People's Assembly (lower house) from 454 to 518⁴⁹, with all of the 64 new seats reserved for women. Over the last 20 years, female representation in the People's Assembly has noticeably declined. Women claimed nine of 454 seats in the 2005 legislative election. Only four women were elected, with the remaining appointed by President Mubarak. The quota will be in effect for parliamentary elections scheduled in 2010 and 2015 but will expire thereafter. Under the new law, women candidates may vie for quota seats or general seats. The opposition has criticized the new quota, asserting that it will only expand the ruling NDP party's hold on political life since women with connections to the ruling party will receive the most resources and support. The new quota will be applied only in the lower house and not in the Shura Council or upper house.

Sudan

Maintaining the unity of Sudan and preserving Egypt's share of Nile River flows are primary Egyptian national security interests. The Nile is the lifeblood of Egypt and its main source of freshwater. The Blue Nile and White Nile converge in Sudan's capital of Khartoum. According to one Egyptian academic, "For Egypt, a threat to the Nile constitutes a threat to national security.... In the 1970s, when Ethiopia prepared to embark on river projects that infringed on Egypt's share of water, (late president Anwar) Sadat threatened to declare war in response."⁵⁰ In August 2009, representatives of nine Nile basin countries postponed the signing of a new agreement to govern access to and use of the Nile waters after disputes flared related to proposals to reduce Egypt's quota. Some of Egypt's regional neighbors are attempting to amend the colonial-era treaties governing Nile water use in order to increase their shares, while Egypt is proposing assistance

⁴⁶ Human Rights Watch, "Divorced from Justice: Women's Unequal Access to Divorce in Egypt," June 2004. Available online at <http://hrw.org/reports/2004/egypt1204/>.

⁴⁷ "In Egypt, Sexual Harassment Grows," *Christian Science Monitor*, September 23, 2008.

⁴⁸ Between 1979 and the mid 1980s, there was a 30-seat quota for female parliamentarians in the People's Assembly.

⁴⁹ Of the 518 total seats in the People's Assembly, 508 are elected and 10 appointed by the President.

⁵⁰ "Egypt: Unquiet Flows the Nile," *IPS*, June 21, 2009.

and coordination efforts to promote more efficient upstream water usage and economic development.

Egypt has been a strong supporter of the 2005 Comprehensive Peace Agreement (CPA) between Khartoum and Southern Sudan. It has dispatched 1,200 observers and peacekeepers to the south and has touted its own investments there, such as its construction of power plants, universities, and hospitals. In November 2008, President Mubarak made a historic visit to Juba, the capital of Sudan's semiautonomous southern enclave. Egypt is somewhat concerned that southerners could vote for independence in a 2011 referendum.

International condemnations of the Sudanese government's complicity in the killings of Muslim African ethnic groups by the Arab Janjaweed militia in Darfur have placed Egypt in a difficult diplomatic position. On the one hand, Egypt has attempted to symbolically support international efforts to alleviate the humanitarian crisis in Darfur. To date, it has contributed 2,300 peacekeepers to the African Union/United Nations Hybrid operation in Darfur (UNAMID). On the other hand, Egypt, through the Arab League, has refused to call the killings in Darfur a "genocide" and has denounced the U.S. imposition of sanctions on the Sudanese government. According to Egyptian Foreign Minister Ahmed Aboul Gheit, "Sanctions have never solved a problem." Egypt also has criticized the International Criminal Court (ICC) warrant for the arrest of Sudanese President Omar Bashir for crimes against humanity and war crimes committed in Darfur. Egypt has tried to mediate peace negotiations between the warring factions in Darfur and reportedly has expressed annoyance toward Qatar for attempting to serve as an intermediary in Egypt's own backyard.

Government Structure

Since the 1952 revolution, Egypt has officially been a republic, and its political system has developed some aspects of a democracy, though most observers continue to describe Egypt as an authoritarian regime dominated by a strong president, who draws his support from the ruling National Democratic Party (NDP) and the military. Under the 1971 Constitution, authority is vested in an elected president who must stand for reelection every six years.⁵¹ The president appoints the cabinet, which generally drafts and submits legislation to the legislature, the People's Assembly (lower house) and the Shura Council (upper house). The People's Assembly debates legislation proposed by government ministries and calls for amendments to government-sponsored bills but rarely initiates its own bills. The Shura Council has modest legislative powers and must ratify treaties and constitutional amendments. Overall, analysts consider Egypt's legislative branch to be weak; the ruling party constitutes an

Egypt at a Glance

Population: 83 million (July 2009 est.)

GDP per Capita (PPP): \$5,400 (2008)

Religions: 90% Sunni Muslim, 9% Coptic Christian

Literacy Rate (over age 15) : 71% (83% of males, 59% of females, 2005 est.)

Unemployment Rate: 8.7% (2008 est.)

Source: U.S. Central Intelligence Agency World Factbook 2009.

⁵¹ In 1980, the Constitution was amended to allow the president to run for an unlimited number of terms, rather than one as was stipulated in the 1971 Constitution. An English language version of the Egyptian Constitution is available at <http://www.parliament.gov.eg/EPA/en/sections.jsp?typeID=1&levelid=54&parentlevel=6&levelno=2>.

overwhelming majority. Based on low voter turnout in recent elections, there is a clear lack of public confidence in the parliament.

In the People's Assembly, 508 members are elected and ten are appointed by the President; 176 members of the Shura Council are elected and 88 are appointed.⁵² People's Assembly members are elected for five-year terms, and Shura Council members for six-year terms (one-half the Council members are elected every three years). The NDP controls 324 seats in the Assembly, Muslim Brotherhood-affiliated members hold 88 seats, and the remaining seats are held by a mix of independents and secular opposition parties. NDP members won 84 of the 88 seats contested in the June 2007 Shura Council election. Religious parties, such as the Muslim Brotherhood, are officially banned.

The Role of the Military in Egyptian Society

Although military officers no longer play a direct role in the affairs of the civilian-run government, the military remains the preeminent institution in society, and has been called on by successive governments to maintain internal security and regime stability.⁵³ The military also provides employment and social services for hundreds of thousands of young people in a country with annual double-digit unemployment rates. Military experts have often asserted that Egypt's armed forces are bloated and maintain manpower at unnecessary levels for peacetime, while others contend that the large size of the military is justified by the services it provides to soldiers and their families. Some experts estimate that the military trains 12% of young Egyptian males and that defense industries employ over 100,000 people.⁵⁴ The military has its own companies that produce consumer products, pharmaceuticals, and manufactured goods. The officer corps also benefit from higher salaries, better housing, and high-quality health care, which help ensure their loyalty to the government. Some members of the opposition have criticized these special benefits and the military's fiscal autonomy, asserting that there is little civilian control over the military's budget.

The National Democratic Party (NDP)⁵⁵

As the ruling party, the NDP dominates the political scene in Egypt, controlling well over 80% of the seats in parliament. The party itself is more of a coalition of business and political elites than a coherent and disciplined organization with a unifying ideology. In the 2000 parliamentary election, popular dissatisfaction with the status quo led to the defeat of many NDP incumbents, though the party maintained its super-majority in parliament after a number of "independents" who had been NDP members rejoined the party. Thereafter, NDP officials embarked on a campaign to improve the party's public image, holding the first party congress in 10 years in 2002. Since then, the NDP has held conferences in each successive year, touting a number of political reforms under the slogan of "new thinking." More importantly, the President's son,

⁵² One half of the elected members of the People's Assembly and the Shura Council must be farmers and laborers (Art. 87 and Art. 196 of the Constitution).

⁵³ In 1986, President Mubarak called on the military to put down riots in Cairo, sparked by the protests of police conscripts who were angry about low pay and poor working conditions. The military also was deployed in 1977 during riots over a temporary reduction in food subsidies.

⁵⁴ Imad Harb, "The Egyptian Military in Politics: Disengagement or Accommodation?," *Middle East Journal*, Washington, Spring 2003. vol. 57, Issue 2, p. 269.

⁵⁵ The NDP's website is at http://www.ndp.org.eg/index_en.htm.

Gamal Mubarak, was appointed to the NDP's higher policy council, and other young figures have become more visible in the party.

The Judiciary

Many Egyptian reformers and democracy activists believe the judicial branch of government offers the best hope for instituting checks and balances against executive authority. Despite the fact that judicial independence is enshrined in the Constitution, the Egyptian state has a long history of attempting to coerce judges.⁵⁶ Created in 1969 by Gamal Abdel Nasser, the Supreme Judicial Council attends to matters of appointment, promotion, and transfer of judges. Nevertheless, in general, the civilian court system is well regarded and operates independently of the executive branch. However, there is an entire parallel justice system to deal with security-related and high-profile political cases. The State Security Emergency Courts try cases in which the defendant has been accused of violating the 1981 emergency law, which, among other things, prohibits gatherings of more than five people and limits speech and association.⁵⁷ Since 1992, military courts have tried civilians for terrorism and other security-related offenses. Under the emergency law, the government can hold an individual for up to 30 days without charge. On May 26, 2008, parliament approved a two-year extension of the emergency laws, which have been in place since Sadat's assassination in 1981. During his 2005 election campaign, President Mubarak pledged to introduce a number of reforms, including the elimination of the emergency laws which have been used to quell political dissent by holding people without charge for long periods and referring civilians to military courts, where they have fewer rights.

Some judges spoke openly about election abuses allegedly committed by pro-government forces in 2005. The government responded by detaining several high-profile judges, sparking large-scale protests. Mahmoud Mekki and Hisham Bastawisi were stripped of their judicial immunity and detained after publicly charging electoral fraud during parliamentary elections in 2005. Bastawisi, who suffered a heart attack before his hearing, was warned that another offense would lead to his dismissal from the judiciary, while Mekki was cleared of all charges. According to Steven Cook, an Egypt expert at the Council on Foreign Relations, "Egypt's judges had proved that they could in many ways act as the conscience of the Egyptian people, many of whom want a more open and democratic future. Without becoming partisan themselves or pouring into the streets as the lawyers of Pakistan regularly do, Egypt's judges can help shape Egypt's political future."⁵⁸

Judicial oversight of elections is a major issue facing the judicial branch. Earlier versions of the Constitution required that "balloting take place under the supervision of a judicial body." In 2000, Egypt's Supreme Constitutional Court struck down the former election law because, according to experts at the Carnegie Endowment for International Peace, "it did not provide for judicial oversight of each polling station and failed to give judges the necessary authority over balloting."⁵⁹ Amended article 88 of the Constitution⁶⁰ transfers the oversight of elections to a

⁵⁶ Article 65 of the Constitution states that "The State shall be subject to law. The independence and immunity of the judiciary are two basic guarantees to safeguard rights and liberties."

⁵⁷ Sentences issued by the State Security Emergency Courts cannot be appealed except on procedural grounds, and are subject to ratification by the president, who can annul both convictions and acquittals. See, *Arab Political Systems: Baseline Information and Reforms*, published jointly by the Carnegie Endowment for International Peace and the Fundación para las Relaciones Internacionales y el Diálogo Exterior (FRIDE), March 6, 2008.

⁵⁸ Steven A. Cook, "Adrift on the Nile: The Limits of the Opposition in Egypt," *Foreign Affairs*, March/April 2009.

⁵⁹ Nathan Brown, Michele Dunne, and Amr Hamzawy, *Egypt's Controversial Constitutional Amendments*, Carnegie Endowment for International Peace, March 23, 2007.

higher committee, which, although made up of some judges, removes most from direct oversight of balloting stations. According to the new chairman of the Court of Cassation and the Supreme Judicial Council Adil Abd al Hamid, “It is impossible to have a judge to monitor each ballot box, either in presidential, parliamentary or municipal elections.... The number of judges is not enough.... We can only allocate a judge to monitor the general polling station. Judges' participation in monitoring the election was at the expense of their judicial work.”⁶¹

Reinforcing Regime Rule

Over the last several years, the Mubarak government has tightened its grip on power and cracked down on domestic opponents (see below). Experts have posited a myriad of reasons for both the increase in domestic opposition and the subsequent government crackdown. Some analysts assert that the government is deliberately flexing its muscles during a delicate period of political transition, as the president may be grooming his son to succeed him. Others have speculated that the regime may be sending a message to the international community, particularly the United States, that it will not be pressured into liberalizing its political system. Still other observers take a more Marxist approach, citing the growing resentment by the poor and middle classes of the private sector elite and the disproportionate benefits that the elite has gained in recent years from the state's economic liberalization policies.

The government has used both legal tactics and brute force to suppress opposition activity. Independent analysts have long noted that the Egyptian legal system is a labyrinth of codes and procedures that can be twisted to the state's benefit when necessary. The following is a sampling of recent government action to reinforce its rule:

- Between 2006 and 2009, dozens of bloggers were detained and incarcerated under provisions outlined in the emergency law. Abdel Karim Suleiman (Kareem Amer) was sentenced in 2006 to four years in prison for “insulting Islam” and one year for “insulting the president.” He was the first Egyptian blogger ever to be convicted for his online writings.
- On August 2, 2008, a court sentenced prominent self-exiled dissident Saad Eddin Ibrahim to two years in prison for harming Egypt's reputation through his public writings. The court ruled that Ibrahim, who is currently abroad, could post a bond of \$1,900 to remain free pending an appeal. In response, the U.S. State Department issued a press release stating, “We are disappointed by the recent conviction in Egypt of democracy activist Dr. Saad Eddin Ibrahim. On August 2, Dr. Ibrahim was convicted of harming Egypt's reputation through his writings in the foreign press and was sentenced to two years in prison. Lawsuits should not

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⁶⁰ Article 88 states that “balloting shall be conducted on one single day. An independent and impartial higher committee shall supervise elections in the manner regulated by the law. The law shall set out the functions, method of formation and guarantees for the committee, which shall have among its members current and former members of judicial bodies. This committee shall form general committees to supervise elections in constituencies as well as committees to administer the balloting process and vote tallying and sorting committees. The general committees shall be composed of members of judicial bodies and vote tallying and sorting shall be made under the supervision of the general committees in accordance with the rules and procedures stipulated by the law.”

⁶¹ BBC Monitoring Middle East, “Egypt's New Chief Judge says Judiciary should Stay Away from Politics,” *Egyptian Channel 1 TV's live weekly program Viewpoint*, July 13, 2009.

be used to undermine the principles of freedom of expression. We strongly advocate—in all countries—the protection of civil and political rights, including freedom of speech and due process.”

- On April 8, 2008, after a two-year delay, Egypt held nationwide municipal elections for local councils. These councils had been of little importance in national politics, but became more relevant after the Egyptian Constitution was amended in 2005. Under the revision of Article 76, which, for the first time in Egypt’s history legally established the framework for a multi-candidate presidential election, the Constitution now requires that all presidential candidate nominations must obtain the support of at least 250 members of various elected bodies, including 65 members of the lower house of parliament, 25 members of the upper house, and 140 members of various local councils. The Muslim Brotherhood (MB), the only well organized opposition group in Egyptian politics, boycotted the elections at the last minute, citing various government attempts to thwart its participation and rig the results. The MB had initially fielded several thousand candidates for 52,000 seats on 4,500 local councils. Bureaucratic obstruction eventually whittled the number of MB candidates down to a few hundred, of whom only a handful (perhaps 20) were expected to compete.⁶² Ultimately, the ruling National Democratic Party won a majority of seats, helping to maintain its monopoly over the political system.
- In September 2007, authorities closed the Association for Human Rights and Legal Aid after it helped bring a case against the government over a political activist who died in police custody.
- Also in September, a judge sentenced four newspaper editors, including *Ad Dustour* chief editor Ibrahim Issa (also spelled Eissa), to prison on charges of defaming President Mubarak and his son Gamal. Issa was already on trial on charges of “disturbing the peace and harming national economic interests” after he published several speculative articles about the health and possible death of President Mubarak. According to *Oxford Analytica*, “The regime is exacting revenge against individuals such as Eissa for their zealous criticism of the government since the war on Iraq. Much of the criticism was seen as breaking previous publishing red-lines. While it would not have been prudent to crack down then given the international pressure and attention, the context has changed and the regime is feeling secure enough to repress.”⁶³
- On June 11, 2007, Egypt held a mid-term election for the Shura Council, the upper chamber of parliament with modest legislative powers. The NDP won 84 of 88 seats. As usual, opposition activists charged that the election was marred by irregularities and violations (e.g. ballot stuffing, obstruction of polling centers, and underage voting) committed by the state and NDP. Prior to election day, police and security forces arrested hundreds of Muslim Brotherhood members, including several Shura Council candidates, claiming that they violated prohibitions against the use of religious slogans in political campaign material.

⁶² “Egypt Vote Ends with Little Excitement,” *Agence France Presse*, April 8, 2008.

⁶³ “EGYPT: Press Crackdown Linked to Succession,” *Oxford Analytica*, November 1 2007.

- On March 26, 2007, 34 amendments to the Egyptian Constitution were approved in a popular referendum widely considered to be managed by pro-government forces. U.S. officials criticized both the content of the amendments and the speed of their approval while Amnesty International called the amendments the “greatest erosion of human rights in 26 years” in Egypt. Amended Article 179 allows the president to have civilians tried in military courts and eliminates protections against arbitrary search and arrest in offenses related to terrorism. Revised Article 88 curtails judicial supervision of general elections and transfers oversight responsibility to an electoral commission. In 2000, the Egyptian Supreme Constitutional Court ruled that elections should have direct judicial oversight. Revised Article 62 changes the electoral system from a candidate-centered system to a mixed system of party lists and individual districts. This revision further restricts the Muslim Brotherhood since, as an illegal organization, it cannot field a list of party candidates (Brotherhood members run as independents). This amendment also establishes a quota for female lawmakers in parliament.

Political Opposition and Civil Society

Over the past few years, political opposition in Egypt has broadened to include an array of groups, both secular and religious. However, despite a growing chorus of regime critics, particularly over the internet, the Muslim Brotherhood remains the only well-organized opposition movement in Egypt today. Nevertheless, labor strikes and spontaneous demonstrations organized by activist bloggers have received more international attention as of late, despite widespread political apathy and resignation that pervades Egyptian society.

A handful of legal opposition parties, which must be approved by the government, serve as the token, official opposition to the NDP.⁶⁴ Most experts regard Egypt’s legal opposition parties as divided with limited popular support. In the 2000 parliamentary elections, the principal opposition parties secured just 17 seats, despite widespread popular dissatisfaction with the ruling NDP. In 2005, these parties fared even worse, winning just 12 seats.

The Muslim Brotherhood⁶⁵

The Muslim Brotherhood (MB) was founded in Egypt in 1928 to turn Egypt away from secularism and toward an Islamic government based on *sharia* (religious) law and Muslim principles.⁶⁶ The Muslim Brotherhood operates as a religious charitable and educational institution, having been banned as a political party in 1954; however, many Muslim Brotherhood members run for parliament as independents. In the 2000 parliamentary elections, 17 independent

⁶⁴ By law, political parties must be approved by the seven-member Political Parties Committee (PPC). Since 1977, the Committee has approved 19 political parties and rejected almost 50. The most recent party to obtain a license was the Democratic Front Party, made up of former NDP members, which was established in May 2007.

⁶⁵ For more information, see CRS Report RL33486, *U.S. Democracy Promotion Policy in the Middle East: The Islamist Dilemma*, by Jeremy M. Sharp.

⁶⁶ The Muslim Brotherhood is generally considered the parent organization of Brotherhood branches throughout the Middle East. Former Brotherhood members have formed a number of radical and extremist off-shoots, including Hamas. See Gilles Kippel, *Jihad: The Trail of Political Islam* (Cambridge: Harvard University Press, 2002), p. 151.

candidates regarded as Brotherhood sympathizers were elected. In 2005, Brotherhood-affiliated candidates won 88 seats in parliament. Over the years, the Egyptian government has alternated between tolerating and suppressing the Muslim Brotherhood, sometimes arresting and jailing its members, and other times allowing them to operate almost without hindrance.

Many foreign observers agree that the organization has renounced the use of violence as a political tactic, while many Egyptian officials continue to perceive the Brotherhood as a threat and are unwilling to legalize the movement.⁶⁷ In the United States, the issue of whether or not to recognize the Muslim Brotherhood as a legitimate political actor continues to perplex policymakers, particularly after the September 11, 2001 terrorist attacks. On the one hand, there has been a general reluctance to push for Islamist inclusion in politics, out of concern that, once in power, groups such as the Muslim Brotherhood will pursue policies counter to U.S. interests in the region or will transform states into theocracies like Iran.⁶⁸ On the other hand, some experts believe that if Islamists were brought into a functional democratic system, then they would temper their rhetoric in order to appeal to a wider audience. According to U.S. Ambassador to Egypt Margaret Scobey:

“The Muslim Brothers is a banned group in Egypt, and there are no direct relations with them. But we deal with political personalities through parliament. The day of President Obama's address, invitations were issued to independent personalities who could be from the Muslim Brothers and were elected through Parliament and recognized. But there is no direct dialogue between us and them. The channels are open, and it is possible to contact official personalities through parliament.”⁶⁹

Most analysts believe that, from an organizational standpoint, the Brotherhood is the only movement capable of mobilizing significant opposition to the government, though opinions vary on how much mass support the Brotherhood commands. As is typical for Islamist groups across the region, the Muslim Brotherhood is strongest among the professional middle class, controlling many of the professional syndicates (associations), including those representing engineers, doctors, lawyers and academics.⁷⁰

The Brotherhood's "Party Platform"

For years critics have charged that the Muslim Brotherhood, like other Islamist groups, has been unable to articulate concrete policies and has relied too heavily on conveying its agenda through vague slogans, such as the party mantra of “Islam is the solution.” When the Brotherhood circulated a draft party platform in late 2007, it generated a great deal of attention and condemnation by its opponents. The draft, which was contested by a more moderate faction of the Brotherhood,⁷¹ called for the establishment of a board of religious scholars with whom the

⁶⁷ During the 1940s and early 1950s, the Brotherhood's paramilitary wing waged a guerrilla campaign against British rule and, after independence, against Nasser.

⁶⁸ According to Essam al Arian, a leading figure in the movement, “The Muslim Brotherhood does not recognize Israel and rejects the Camp David agreement.... If a popular referendum were held, we're sure the people would also reject it.” See, “Egyptian Government, not People, Recognize Israel,” *Inter Press Service*, December 21, 2007.

⁶⁹ Open Source Center, “Interview With US Ambassador to Egypt Margaret Scobey,” Cairo *Al-Jumhuriyah* in Arabic, June 27, 2009, Document ID# GMP20090627007001.

⁷⁰ John Walsh, “Egypt's Muslim Brotherhood,” *Harvard International Review* (Cambridge): Winter 2003, Vol. 24, Issue 4, p. 32.

⁷¹ Some observers contend that the authorities deliberately arrested the more moderate Brotherhood members in order (continued...)

president and the legislature would have to consult before passing laws. According to one critic, “Reminiscent of Iran’s Guardian Council, this undemocratically selected body could have the power vested by the state to veto any and all legislation passed by the Egyptian parliament and approved by the president that is not compatible with Islamic *sharia* law.... The Muslim Brotherhood should have looked to Turkey as a model for how to integrate Islam into a secular system.”⁷² The draft platform also states that neither women nor Christians may stand for president.

Brotherhood Arrests

As part of their systematic coercion strategy, security forces continually arrest and imprison Brotherhood members to keep the group on the defensive. According to Egyptian law, citizens who have been incarcerated cannot stand for elected office, and authorities have used this provision to target some of the Brotherhood’s most promising young leaders, even those who may be more accommodating toward improving the group’s relations with the West. In June 2009, police arrested Dr. Abdel Moneim Aboul Fotouh,⁷³ a member of the group’s elite Guidance Bureau/Council and secretary-general of the Union of Arab Doctors, along with six other leaders on charges of belonging to an outlawed group, conspiring with international terrorist organizations such as Hezbollah, and money laundering. Prosecutors charge that MB leaders were responsible for forming terrorist cells inside Egypt and had funneled fighters and funds to Hamas in the Gaza Strip. Egyptian authorities have criticized the MB’s support for Hamas and Hezbollah in Lebanon and have accused the Brotherhood of disloyalty to the state and of having an international agenda. Arrests also have targeted a number of MB-owned businesses in order to financially squeeze the Brotherhood’s extensive charitable organizations.⁷⁴

The Al Wasat Party

Although not a legally recognized party, the Al Wasat organization has received attention from Western observers for its commitment to pluralism, religious toleration, and acceptance of secular political principles. Established in 1996 by former Brotherhood members who have more moderate views on democracy and the role of women and Copts in political life, Al Wasat is made up of a cadre of younger political activists and encourages participation by women and by Coptic Christians. According to party leader Abou Al Ilah Al Mahdi, the Al Wasat Party is not a religious party. “We affirmed on many occasions that we are against religious parties that are based on a religious basis, and adopt the theocratic thinking of clergymen, which we totally reject.” However, its application for legal recognition as a political party has been rejected on four occasions by the government’s Political Parties Committee on the grounds that it illegally sought to establish a party with an Islamic basis (Egyptian law prohibits political parties based on

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to make the platform reflective of conservative and hardliners’ positions. See, “Egypt Politics: Brothers at Odds,” *Economist Intelligence Unit - Views Wire*, October 15, 2007.

⁷² “The Muslim Brotherhood Shows its True Colors,” *Christian Science Monitor*, October 12, 2007.

⁷³ Some experts have speculated that Dr. Aboul Fotouh could be in line to succeed 81-year-old Mahdi Akef as the Brotherhood’s supreme guide.

⁷⁴ Open Source Center, “Spotlight on Arrests of Egypt’s Muslim Brotherhood Leaders (BBCM),” *OSC Feature - BBC Monitoring*, July 28, 2009, Document ID# FEA20090730877075.

religion). The regime claims that, once legalized, Al Wasat could be infiltrated by the Muslim Brotherhood. Overall, the organization appears relatively weak in terms of popular support.

Ayman Nour

Ayman Nour (age 45), a former member of parliament and second-place finisher in Egypt's first multi-candidate presidential election in 2005, had been serving a five-year sentence for forgery in a prison hospital until his sudden and unexpected release on health grounds in February 2009. Some Members of Congress and officials in the Bush Administration had regularly called for Nour's release from prison. In June 2007, at the conference on Democracy and Security in Prague, Czechoslovakia, President Bush named Ayman Nour as one of several "dissidents who could not join us, because they are being unjustly imprisoned." During his incarceration, Nour's political party, Al Ghad, split in half, and the party headquarters burned to the ground after a violent confrontation there between rival wings of the party. Egyptian law prohibits individuals with criminal records from holding a political office, and Nour, who has vowed to return to public life, is in the process of appealing this ruling. In an interview days after his release, Nour stated that "I still don't know why they suddenly released me, and what they want from me, and I don't care.... But I know what I want to do after getting out: to rebuild my party and my liberal trend."⁷⁵ Some experts caution that Nour's popular support is fairly limited, but with few recognizable alternatives to the Muslim Brotherhood among Egypt's political opposition, he receives a disproportionate amount of foreign media attention.

Civil Society in Egypt

Although political opposition continues to be stymied, observers note that, over the past two decades, Egypt has developed a vibrant civil society, which some development experts hope will further democratization in the country. The term "civil society" generally refers to the growing number of non-governmental organizations (NGOs), charities, and advocacy groups that openly operate in Egyptian society. Many of these groups pursue so-called "safe issues," such as women's rights, economic development, and social equality, as a way to work toward the much broader goal of democratization. While others focus more directly on human rights, voter education, and election monitoring. Often times, the Egyptian government has created its own associations in order to boost its reform image at home and abroad, such as the government-sponsored National Council on Human Rights. Critics charge that such official associations have hampered the space in which independent civil society can operate, as well as the resources they can garner.

In Egypt, NGOs are required to apply for legal status and, according to Association Law 84-2003, NGOs must be registered with the Ministry of Social Affairs. There are an estimated 16,000 registered civic organizations in Egypt. In some cases, it may take years before the ministry rules on an application, and many groups are routinely rejected. Often, no response is given to the application, leaving an organization in legal limbo. If an NGO's application is rejected, it has few legal rights and can be shut down. Its members can be imprisoned. However, even registered NGOs must tread carefully when engaging in sensitive political issues, as some groups have been periodically closed or have had their legal status revoked. NGOs also must report all foreign donations to the Ministry of Social Affairs. Overall, tolerance for the activities of non-registered

⁷⁵ "I Know it will be a Fierce Battle," *The National*, February 25, 2009.

groups varies, and many NGOs operate without any legal protection.⁷⁶ According to the U.S. State Department's 2008 Human Rights Report, "Several leading human rights groups and civil society organizations continued to press legal challenges against government decisions that prohibit them from registering under the NGO law. Although these organizations generally were allowed to conduct operations, albeit on a limited basis, they did so in technical violation of the NGO law with the omnipresent prospect of government interference and/or closure looming over them."⁷⁷

In 2009, Egyptian lawmakers proposed new amendments to the NGO law to halt foreign funding to NGOs altogether. According to independent MP Mohamed El Omda, "Funding is the new tool for neo-colonialism, both cultural and political."⁷⁸ Though most observers expect the proposed amendments to fail, a complete ban on foreign funding to NGOs would deal a serious setback to U.S. government democracy-promotion efforts in Egypt, such as USAID democracy and governance programs and the State Department's Middle East Partnership Initiative (MEPI) small grants to Egyptian NGOs program.⁷⁹

Organized Labor

While reform-minded intellectuals and conservative Islamists have served as the backbone of political opposition in Egypt, a series of successful worker strikes in 2007 led some analysts to speculate that organized labor could become one of the most effective opposition movements in Egypt today. Low wages and rising inflation led to several strikes at mostly government-owned textile factories. One strike, at a textile factory in the Nile Delta town of Mahalla al Kubra, took the form of a week-long sit-in of an estimated 20,000 workers. Protestors not only demanded a wage hike, but expressed opposition to the government's economic liberalization strategy, fearing that privatization would lead to job cuts. According to Joel Benin, a professor at the American University in Cairo, "It seems like the decision is to pacify the workers and give them what they want and crack down on the intellectuals and not give them anything.... The workers are more of a threat." A report by Carnegie Endowment for International Peace speculated that:

recent strikes represented a departure from the tradition of workers holding sit-ins while work continued, because strikes were seen as hurting Egypt's national interest. This perception changed, however, as the reform process advanced. A new feature of the most recent strikes is that they are ending peacefully, whereas in the past they would be broken by police force. Some analysts have interpreted this as a sign of the increased societal tensions around economic reform, while others have seen it as a result of increased international scrutiny.⁸⁰

Between 2008 and 2009, as inflation increased and average incomes stagnated, labor strikes have become widespread. According to Hamdi Abdelazim, an economist and former president of the

⁷⁶ Human Rights Watch, "Margins of Repression: State Limits on Non-Governmental Organization Activism," July 2005. Available online at <http://hrw.org/english/docs/2005/07/04/egypt11217.htm>.

⁷⁷ U.S. State Department's Bureau of Democracy, Human Rights, and Labor, *2008 Human Rights Report: Egypt, 2008 Country Reports on Human Rights Practices*, February 25, 2008.

⁷⁸ "Deputy Proposes Ban on Foreign Funding of Civil Society Organizations," *Daily News Egypt Online*, February 23, 2009.

⁷⁹ For a list of MEPI's Egyptian grantees, see [<http://www.medregion.mepi.state.gov/egypt.html>]

⁸⁰ Sufyan Alissa, "The Political Economy of Reform in Egypt: Understanding the Role of Institutions," *Carnegie Endowment for International Peace*, Carnegie Middle East Center, October 2007.

Cairo-based Sadat Academy, “The success of the labor actions in 2007 and 2008 encouraged workers to demonstrate and call strikes to realize longstanding demands.... Many people now see labor strikes as the only means of forcing the government to address their grievances.”⁸¹

While Egyptian workers belong to a number of trade unions, the Egyptian Trade Union Federation (also referred to as the General Confederation of Trade Unions), is the sole legally recognized labor federation. In April 2009, workers from the Real Estate Tax Authority (RETA) were recognized by the Ministry of the Labor Force as an independent union, a move that some international labor law experts are calling unprecedented in Egypt. Other independent unions, such as the Independent Textile Workers' League, are active in the labor movement but have not been officially recognized by the Ministry of the Labor Force. According to one labor activist, “Getting free unions was always the silver bullet.... When free unions strike, mobilize mass protests and get the machines to stop working—that's when you hit (the regime) where it hurts the most.”⁸²

U.S. Foreign Assistance to Egypt

Overview

Since 1979, Egypt has been the second largest recipient, after Israel, of U.S. foreign assistance. In FY2009, Egypt was the fifth largest aid recipient behind Israel, Afghanistan, Pakistan, and Iraq respectively. In the last decade, overall U.S. assistance to Egypt has declined from \$2.1 billion in FY1998 to \$1.6 billion in FY2009 owing to a gradual reduction in economic aid. In July 2007, the Bush Administration signed a 10-year Memorandum of Understanding (MOU) with Israel to increase U.S. military assistance from \$2.4 billion in FY2008 to over \$3 billion by 2018. Egypt received no corresponding increase in U.S. military aid; instead, the Bush Administration pledged to continue to provide Egypt with \$1.3 billion in military aid annually, the same amount it has received annually since 1987. Unlike Israel and Jordan, the Bush Administration did not sign a bilateral MOU with the Egyptian government.⁸³ Congress typically earmarks foreign assistance for Egypt in the foreign operations appropriations bill.

The Debate over U.S. Assistance to Egypt

Although U.S. assistance has helped cement what many deem to be a successful 30-year Israel-Egypt peace treaty, as time has passed, critics of continued U.S. assistance to Egypt have grown more vocal in arguing that U.S. aid props up a repressive dictatorship and that, to the extent that any U.S. funds are provided, policymakers should channel them toward supporting opposition or civil society groups. Over the past five years, Congress has debated whether U.S. foreign aid to Egypt should be conditioned on, among other things, improvements in Egypt's human rights

⁸¹ "Egypt: Labor Strikes Point to Economic Pain," *Inter Press Service*, March 16, 2009.

⁸² "EGYPT: Union Eyes the Silver Bullet," *IPS*, August 18, 2009.

⁸³ A year after the 2007 US-Israel Memorandum of Understanding (MOU), the U.S. and Jordanian governments reached an agreement whereby the United States will provide a total of \$660 million in annual foreign assistance to Jordan over a 5-year period. Under the terms their non-binding MOU, this first-of-its-kind deal commits the United States, subject to future Congressional appropriations and availability of funds, to providing Jordan with \$360 million per year in Economic Support Funds (ESF) and \$300 million per year in Foreign Military Financing (FMF).

record, its progress on democratization and religious freedom, and its efforts to control the Egypt-Gaza border. Some Members believe that U.S. assistance to Egypt has not been effective in promoting political and economic reform and that foreign assistance agreements must be renegotiated to include benchmarks that Egypt must meet to continue to qualify for U.S. aid.

Successive administrations, some lawmakers, and the Egyptian government assert that U.S. assistance to Egypt is symbolic of a strong strategic partnership which directly benefits U.S. national security interests. Proponents of strong bilateral ties argue that Egypt is key to maintaining a strong military presence in the oil-rich Persian Gulf and projecting power in south and central Asia. Reducing Egypt's aid, they argue, would undercut U.S. strategic interests in the region, including support for Middle East peace, U.S. naval access to the Suez Canal, and U.S.-Egyptian intelligence cooperation. U.S. military officials argue that continued U.S. military support to Egypt facilitates strong military-to-military ties. The U.S. Navy, which sends an average of a dozen ships through the Suez Canal per month, receives expedited processing for nuclear warships to pass through the Canal, a valued service that can normally take weeks otherwise required for other foreign navies. Egypt also provides over-flight rights to U.S. aircraft. In addition, some U.S. lawmakers argue that cutting aid, particularly military assistance, harms the United States since all of Egypt's FMF must be spent on American hardware and associated services and training.

Promoting Democracy in Egypt: Differing Perspectives

Although funding for democracy promotion is not the only way to promote reform abroad, its use in Egypt has been a lightning rod of controversy over the last five years. The Egyptian government has staunchly opposed foreign support to independent civic groups that demand government accountability, as well as civic groups that have not received government approval. During the Bush Administration, policymakers and Members of Congress directed some amounts of Economic Support Funds toward USAID programming in the democracy and governance (D&G) sector and toward direct support to Egyptian NGOs. However, some experts note that only a small proportion of the D&G funds are spent on independent Egyptian groups and an even smaller proportion to groups that do not receive approval from the Egyptian government. The vast majority of USAID D&G assistance goes to Government of Egypt-approved consensual, government-to-government projects.⁸⁴

Most importantly, in FY2005, Congress directed that "democracy and governance activities shall not be subject to the prior approval of the GoE [government of Egypt]," language which remained in annual foreign operations appropriations legislation until FY2009 (see below).⁸⁵ Egypt claims that U.S. assistance programs must be jointly negotiated and cannot be unilaterally dictated by the United States.

⁸⁴ CRS conversation with Tamara Cofman Wittes, Director, Middle East Democracy and Development Project, Brookings Institution, September 1, 2009.

⁸⁵ Congress sought to ensure that U.S. foreign assistance for Egypt was being appropriately used to promote reform. In conference report (H.Rept. 108-792) language accompanying P.L. 108-447, the FY2005 Consolidated Appropriations Act, conferees specified that "democracy and governance activities shall not be subject to the prior approval of the GoE [government of Egypt]. The managers intend this language to include NGOs and other segments of civil society that may not be registered with, or officially recognized by, the GoE. However, the managers understand that the GoE should be kept informed of funding provided pursuant to these activities."

Between FY2004 and FY2009, USAID obligated approximately \$206.4 million in economic assistance toward the D&G sector in Egypt. However, as overall ESF aid to Egypt has decreased, so too has U.S. democracy assistance. In FY2009, the Bush Administration unilaterally cut overall economic aid to Egypt by more than half, requesting \$200 million in ESF. Therefore, because U.S. economic assistance is divided among several sectors (health, education, economic development, and democracy promotion), fewer funds were available in FY2009 for D&G aid. The FY2009 Omnibus Appropriations Act (P.L. 111-8), provides the full \$200 million request and then caps funds earmarked for democracy programs at \$20 million. In the past, Congress had set a floor for democracy promotion funds rather than a ceiling. The law also does not include language found in earlier appropriations laws that stated, “with respect to the provision of assistance for Egypt for democracy, human rights and governance activities, the organizations implementing such assistance and the specific nature of that assistance shall not be subject to the prior approval by the Government of Egypt.”

Some analysts believe the Obama Administration would like to ease tensions with the Egyptian government by de-emphasizing democracy assistance. Others assert that U.S. funding has been largely ineffective anyway and that assistance should be channeled into areas that make a more immediate impact on the daily lives of average Egyptians. According to Steven Cook at the Council on Foreign Relations:

“As surveys and focus groups consistently demonstrate, if people in the Arab world want anything from America, it's the kind of technical assistance that makes a tangible difference in their daily lives. And a healthier, wealthier and better-educated Egyptian population is more likely to start demanding personal and political freedoms—the kind of demands that may, someday, actually lead Egypt to democratize and sustain it when it does.”⁸⁶

In remarks with a group of visiting Egyptian democracy activists in May 2009, Secretary of State Hillary Rodham Clinton remarked:

“Well, we always raise democracy and human rights. It is a core pillar of American foreign policy. And I think that there is a great awareness on the part of the Egyptian Government that with young people like this and with enhanced communications, it is in Egypt's interest to move more toward democracy and to exhibit more respect for human rights. And so we're going to continue to engage in that dialogue.... We've spent, as you know, many billions of dollars over the last years promoting NGOs, promoting democracy, good governance, rule of law. And I want to stress economic opportunity because out of economic opportunity comes confidence, comes a recognition that people can chart their own future.”⁸⁷

History of Congressional Action on Aid to Egypt

Since the 108th Congress, there have been several attempts in Congress to reduce or reallocate U.S. assistance to Egypt, including the following.

108th Congress

⁸⁶ Steven A. Cook, “Washington’s Pyramid Scheme Spending Money on Democracy Promotion in Egypt only made Matters Worse. Here's how to Help,” *Newsweek*, June 1, 2009.

⁸⁷ U.S. Department of State press release, “Remarks With Visiting Egyptian Democracy Activists Before Their Meeting Hillary Rodham Clinton Secretary of State,” May 28, 2009.

- An amendment offered on July 15, 2004, to the House FY2005 foreign operations bill (H.R. 4818) would have reduced U.S. military aid to Egypt by \$570 million and increased economic aid by the same amount, but the amendment failed by a vote of 131 to 287.

109th Congress

- An amendment offered on June 28, 2005, to the House FY2006 foreign operations bill (H.R. 3057) would have reduced U.S. military aid to Egypt by \$750 million and would have transferred that amount to child survival and health programs managed by USAID. The amendment failed by a recorded vote of 87 to 326.
- H.R. 2601, the FY2006/FY2007 House Foreign Relations Authorization bill, would have reduced U.S. military assistance to Egypt by \$40 million for each of the next three fiscal years, while using the funds to promote economic changes, fight poverty, and improve education in Egypt. There was no comparable provision in the Senate's Foreign Relations Authorization bill (S. 600).
- On May 25, 2006, the House Appropriations Committee in a voice vote rejected an amendment to cut \$200 million in military aid to Egypt during markup of H.R. 5522, the FY2007 Foreign Operations Appropriations Bill. In June 2006, the House narrowly defeated an amendment (198-225) to the bill that would have reallocated \$100 million in economic aid to Egypt and used it instead to fight AIDS worldwide and to assist the Darfur region of Sudan. Many supporters of the amendment were dismayed by the Egyptian government's spring 2006 crackdown on pro-democracy activists in Cairo. Representative David Obey of Wisconsin sponsored both amendments.
- In report language (H.Rept. 109-486) accompanying the House version of H.R. 5522, the FY2007 Foreign Operations Appropriations Bill, appropriators recommended that the Administration rescind \$200 million in cash assistance funds previously appropriated but not yet expended. The Senate version recommended rescinding \$300 million from prior year ESF assistance for Egypt.

110th Congress

- On February 15, 2007, Congress passed H.J.Res. 20, the FY2007 Revised Continuing Appropriations Resolution (P.L. 110-5). Section 20405 of the Act rescinded \$200 million in previously appropriated economic assistance to Egypt.
- Section 690 of P.L. 110-161, the Consolidated Appropriations Act, FY2008, withheld the obligation of \$100 million in FMF or ESF until the Secretary of State certifies, among other things, that Egypt has taken concrete steps to "detect and destroy the smuggling network and tunnels that lead from Egypt to Gaza."

111th Congress

- During Senate consideration of P.L. 111-8, the FY2009 Omnibus Appropriations Act, Senator John Kyl proposed an amendment (S.Amdt. 630) to require the Secretary of State to submit a report to Congress on whether additional funds from Foreign Military Financing assistance provided annually to the Government of Egypt could be expended to improve efforts by the Government of Egypt to

counter illicit smuggling, including arms smuggling, across the Egypt-Gaza border; and to intercept weapons originating in other countries in the region and smuggled into Gaza through Egypt. The amendment failed by a recorded vote of 34 to 61.

Economic Aid

The United States has significantly reduced economic aid to Egypt over the last decade, and many observers believe that U.S. economic assistance may be phased out entirely in the years ahead. There are several reasons for the reduction in U.S. assistance. Overall, U.S. economic aid to Egypt has been trending downward due to a 10-year agreement reached in the late 1990s known as the “Glide Path Agreement.” In January 1998, Israeli officials negotiated with the United States to reduce economic aid and increase military aid over a 10-year period. A 3 to 2 ratio similar to total U.S. aid to Israel and Egypt was applied to the reduction in economic aid (\$60 million reduction for Israel and \$40 million reduction for Egypt), but Egypt did not receive an increase in military assistance. Thus, the United States reduced ESF aid to Egypt from \$815 million in FY1998 to approximately \$411 million in FY2008.⁸⁸

With the expiration of the Glide Path agreement, the continued expansion of Egypt’s economy, a growing desire for more U.S.-Egyptian trade, and a reluctance by Egypt to accept “conditions” for U.S. aid, U.S. and Egyptian officials have expressed a desire to “graduate” Egypt from U.S. bilateral economic assistance.⁸⁹ However, neither the United States nor Egypt seem to agree on how aid should be reduced over the coming decade. Egypt would like to establish an endowment to jointly fund development projects.⁹⁰ The Mubarak government argues that based on current aid levels, Egyptian debt repayments to the United States exceed U.S. foreign assistance.⁹¹ Some analysts believe that the proposed endowment, which reportedly would be matched by the Egyptian government on a dollar-for-dollar basis, would serve as a substitute for the annual appropriations process and shield Egypt from potential conditions mandated by Congress. So far, there has been limited U.S. interest in pursuing an aid endowment. However, S. 1434, the Senate version of the Department of State, Foreign Operations, and Related Programs Appropriations Act, 2010, includes a provision that would provide up to \$200 million for an endowment to “further the shared interests of the United States and Egypt.”

For FY2010, the Administration is requesting \$250 million in ESF for Egypt. According to the U.S. State Department’s FY2010 Congressional Budget Justification, ESF funds will improve primary health care, enhance education, and support Egypt’s efforts to transition to a private sector-led economy. U.S. assistance also will support democracy promotion programs designed to increase public participation “while promoting human rights, civic education, and administration

⁸⁸ In FY2003, Egypt, along with Israel and several other regional governments, received supplemental assistance as part of the FY2003 Iraq Emergency Supplemental Appropriations Act (P.L. 108-11). It included \$300 million in ESF for Egypt, which could have been used to cover the costs of up to \$2 billion in loan guarantees. The loan guarantees were to be issued over three years.

⁸⁹ CRS conversation with U.S. and Egyptian officials, January 9, 2008.

⁹⁰ The Senate version of the FY2008 Foreign Operations bill (H.R. 2764), contained an amendment, entitled “The United States-Egypt Friendship Endowment,” that would have provided up to \$500 million in ESF to establish an endowment to “further social, economic and political reforms in Egypt.”

⁹¹ Egypt’s debt repayments to the United States, as of 2006, stood at an estimated \$370 million a year, based on a total debt estimated at \$4.2 billion.

of and access to justice.” A portion of U.S. economic assistance is provided to Egypt as a direct cash transfer to help Egypt further liberalize its economy.

Military Aid

The Administration has requested \$1.3 billion in FMF for Egypt in FY2010—the same amount it received in FY2009. FMF aid to Egypt is divided into three general categories: (1) acquisitions, (2) upgrades to existing equipment, and (3) follow-on support/maintenance contracts.⁹² According to U.S. and Egyptian defense officials, approximately 30% of annual FMF aid to Egypt is spent on new weapons systems, as Egypt’s defense modernization plan is designed to gradually replace most of Egypt’s older Soviet weaponry with U.S. equipment.⁹³ That figure is expected to decline over the long term due to the rising costs associated with follow-on maintenance contracts. Egyptian military officials have repeatedly sought additional FMF funds to offset the escalating costs of follow-on support. They point out that as costs rise, static aid appropriations amount to a reduction in net assistance.

U.S.-Egyptian co-production of the M1A1 Abrams Battle tank is one of the cornerstones of U.S. military assistance to Egypt. A co-production program began in 1988. Egypt plans to acquire a total of 1,200 tanks. Under the terms of the program, a percentage of the tank’s components are manufactured in Egypt at a facility on the outskirts of Cairo and the remaining parts are produced in the United States and then shipped to Egypt for final assembly. General Dynamics of Sterling Heights, Michigan is the prime contractor for the program. Although there are no verifiable figures on total Egyptian military spending, it is estimated that U.S. military aid covers as much as 80% of the Defense Ministry’s weapons procurement costs.

Egypt also receives Excess Defense Articles (EDA) worth hundreds of millions of dollars annually from the Pentagon.⁹⁴ Egyptian officers participate in the International Military and Education Training (IMET) program (\$1.4 million requested for FY2010) in order to facilitate U.S.-Egyptian military cooperation over the long term. IMET assistance makes Egypt eligible to purchase training at a reduced rate. Bright Star is a multinational training exercise co-hosted by the United States and Egypt that helps foster the interoperability of U.S. and Egyptian forces and provides specialized training opportunities for U.S. Central Command Forces (CENTCOM) in the Middle East.

In addition to large amounts of annual U.S. military assistance, Egypt benefits from certain aid provisions that are available to only a few other countries. Since 2000, Egypt’s FMF funds have been deposited in an interest bearing account in the Federal Reserve Bank of New York and have remained there until they are obligated. By law (P.L. 106-280), Congress must be notified if any of the interest accrued in this account is obligated. Most importantly, Egypt is allowed to set aside FMF funds for current year payments only, rather than set aside the full amount needed to meet

⁹² According to U.S. defense officials, Egypt only allocates the minimum amount of FMF funds necessary for follow-on maintenance, resulting in inadequate support for weapon system sustainment.

⁹³ According to a 2006 Government Accountability Office report, over the life of Egypt’s FMF program, Egypt has purchased 36 Apache helicopters, 220 F-16 aircraft, 880 M1A1 tanks, and the accompanying training and maintenance to support these systems, among other items. See <http://www.gao.gov/new.items/d06437.pdf>.

⁹⁴ According to the Defense Security Cooperation Agency (DSCA), past EDA sales and grant transfers have included two PERRY class and two KNOX frigates, numerous HAWK parts, mine rakes, helicopter spare parts, assorted armored vehicles (M60 tanks and M113 APCs) and various types of munitions.

the full cost of multi-year purchases. Cash flow financing allows Egypt to negotiate major arms purchases with U.S. defense suppliers.

Recent Arms Sales

In FY2009, the Defense Security Cooperation Agency (DSCA) notified Congress of the following proposed arms sales to Egypt using FMF funds:

- August 6th—6 Chinook Helicopters and related equipment, prime contractor is Boeing Helicopter Company, estimated potential total value: \$308 million.
- May 26th—12 Apache Longbow Helicopters and related equipment, prime contractors are the Boeing Company, General Electric Company, and Lockheed Martin Missiles and Fire Control, estimated potential total value: \$820 million.

In May and June 2009, Lockheed Martin executives remarked that Egypt was considering the purchase of 24 F-16 Fighting Falcon multirole combat aircraft. Egypt currently has more than 200 F-16 aircraft of different variants.

Table 2. Recent U.S. Foreign Assistance to Egypt
(\$s 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
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
Total	30,570.8	37,911.8	41.1	68,523.7

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

(millions of dollars)

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	—	—	—	—	—	3.3	—	—	—	0.7
1955	66.3	—	—	—	—	7.5	35.3	—	—	—	23.5
1956	33.3	—	—	—	—	—	2.6	—	—	13.2	17.5
1957	1	—	—	—	—	—	0.7	—	—	—	0.3
1958	0.6	—	—	—	—	—	0	—	—	—	0.6
1959	44.8	—	—	—	—	—	2	—	—	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	2.2	20	—	114	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	102.8	201.7	4.4
TQ	552.5	—	—	—	—	—	—	429	107.8	14.6	1.1
1977	907.8	—	—	—	—	—	—	600	99.2	196.8	11.7
1978	943.2	—	—	0.2	0.1 Narc.	—	—	617.4	133.3	179.7	12.5
1979	2588.5	1500	—	0.4	—	—	—	250	585	230.7	22.4
1980	1167.3	—	—	0.8	—	—	—	280	585	285.3	16.1
1981	1681.2	550	—	0.8	—	—	—	70	759	272.5	28.9
1982	1967.3	700	200	2.4	—	—	—	—	771	262	31.9
1983	2332	900	425	1.9	—	—	—	—	750	238.3	16.8
1984	2470.8	900	465	1.7	—	—	—	—	852.9	237.5	13.7
1985	2468.7	—	1175	1.7	—	—	—	—	1065.1	213.8	13.2
1986	2539.1	—	1244.1	1.7	—	—	—	—	1069.2	217.5	6.6
1987	2317	—	1300	1.8	—	—	—	—	819.7	191.7	3.9
1988	2174.9	—	1300	1.5	—	—	—	—	717.8	153	2.6
1989	2269.6	—	1300	1.5	—	—	1.5	—	815	150.5	1.2
1990	2397.4	—	1294.4	1.6	—	—	—	—	898.4	203	—
1991	2300.2	—	1300	1.9	—	—	—	—	780.8	165	52.5
1992	2235.1	—	1300	1.8	—	—	—	—	892.9	40.4	—

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
1993	2052.9	—	1300	1.8	—	—	—	—	747.0	—	4.1
1994	1868.6	—	1300	0.8	—	—	—	—	561.6	35	6.2
1995	2414.5	—	1300	1	—	—	0.2	—	1113.3	—	—
1996	2116.6	—	1300	1	—	—	—	—	815	—	0.6
1997P	2116	—	1300	1	—	—	—	—	815	—	—
Total	45669.4	4550	17803.5	27.3.0	11.2	80.7	82.8	2620.7	15923.8	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.

Q = 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

P = Preliminary

Appendix. Historical Background

Egypt During the Colonial Era

Egypt's relations with the West, including its current friendly relations with the United States, are colored by a long history of foreign intervention in Egyptian politics, which has made Egypt, along with other Arab states, wary of outside influences on their domestic affairs. In the 19th century, Egypt was a semi-autonomous province in the Ottoman Empire, which by then was in decline and being propped up by the British in order to serve as a buffer between it and Czarist Russia. At the time, Egypt was viewed as extremely valuable to the British and French empires and was prized for its agricultural output, large domestic market, and strategic location between the Mediterranean and Red Seas. Most importantly, the British saw Egypt as vital to securing the sea route to its most prized colony, India. Ottoman weakness led its Sultans to grant Europeans certain legal protections and economic advantages in Egypt, which stifled the Egyptian economy by flooding it with European manufactured goods, driving local merchants out of business.⁹⁵

Over time, Egypt developed a “cash crop” economy based almost solely on the export of cotton, the price of which constantly fluctuated, leaving the economy vulnerable and dependent on good harvests. Without a strong, diverse economy, Egypt could not generate enough capital to fund its modernization, leading it to become even more financially dependent on the West, as its rulers borrowed huge sums from European banks. Six years after the completion of the Suez Canal in 1869, Egypt was forced to sell all of its shares in the Suez Canal Company, which operated the Canal, in order to make payments on its foreign-owned debt. When Egypt could no longer pay its debts, the British and French became directly involved in Egyptian politics—a trend that would continue until the mid 20th century.⁹⁶

The Constitutional Monarchy and the British

Britain unilaterally declared Egyptian independence in 1922, and for the next three decades, political power in Egypt was contested among three main actors: the British, the Egyptian monarchy, and the nationalist Wafd party, which was the driving force behind the Egyptian independence movement after World War I. Thousands of British troops remained stationed near the Suez Canal, and British officials served in the Egyptian ministries. Egypt's king could appoint a government and dismiss parliament, but ultimately relied on the British for support. The Wafd party dominated parliamentary elections during Egypt's experiment with parliamentary democracy (1922-1952), though the Wafd gradually began to lose popularity to more radical organizations, such as the Muslim Brotherhood.

⁹⁵ Library of Congress, Federal Research Division, *Egypt: A Country Study*, accessible at <http://lcweb2.loc.gov/frd/cs/egtoc.html>.

⁹⁶ Napoleon invaded Egypt in 1798. The British invaded in 1882 and established a de facto protectorate. They would keep a sizeable military force in Egypt until the 1950s.

Nasser and Egypt During the Cold War

By the early 1950s, anti-British sentiment in Egypt had sparked civil unrest, allowing a cabal of Egyptian Army officers, known as the Free Officers Movement, to oust the king in what is referred to as the July 1952 revolution. The Free Officer Movement ushered in an era of military involvement in Egyptian politics, as all of Egypt's presidents in the post-revolutionary period have been high-ranking officers. In the aftermath of the coup, Colonel Gamal Abdul Nasser, the most charismatic of the Free Officers, succeeded in gaining total control over the government. Nasser abolished the monarchy and outlawed the Muslim Brotherhood (1954), which at the time was the only potential rival for power. Nasser would rule Egypt until his death in 1970.

During the Nasser era, Egypt found itself at the center of superpower competition for influence in the Middle East. Wary of taking sides, Nasser managed, for a short period, to steer Egypt clear of either the Soviet or Western "camp" and was instrumental in helping to establish the non-aligned movement. U.S.-Egyptian relations soured when Nasser turned to the Soviets and the Czechs in 1955 for military training and equipment after the West, frustrated by Nasser's repeated rejections and his support of Algerian independence against the French, refused to provide Egypt with defense assistance. A year later, following a U.S.-British decision to retract an offer of economic assistance and help for the construction of the Aswan Dam, Nasser nationalized the Suez Canal Company to use its revenues to finance the dam project. (Egypt owned the Suez Canal, but the British-French company operated the Canal, and collected the revenues from which it paid a small rent to Egypt.) In October 1956, Israel, France, and Britain invaded Egypt—Israel to stop Palestinian guerrillas from using Egypt as a base for operations against Israel, and France and Britain to occupy the Canal. President Eisenhower persuaded the three countries to withdraw from Egypt in early 1957, which briefly improved U.S.-Egyptian relations.⁹⁷

After the 1956 Suez War, Nasser's popularity soared, as he came to embody Arab nationalism in the post-colonial era. Nasser did not hesitate to brandish his newfound authority and developed a muscular Egyptian foreign policy that attempted to destabilize pro-Western governments in Jordan, Iraq, and Lebanon, support Palestinian guerrilla action against Israel, create a unified Arab state by merging briefly with Syria (the United Arab Republic 1958-1961), and intervene against the Saudi-backed royalists in the Yemeni civil war.⁹⁸ However, Egypt's defeat at the hands of Israel in the June 1967 War and other setbacks temporarily deflated Nasser's popularity and crushed his ambitions to spread a pan-Arab ideology across the region.

On the domestic front, Nasser turned Egypt into a socialist dictatorship with absolute power in the hands of the President. All banks and commercial firms were nationalized, large landowning estates were broken up into much smaller parcels and held in a state trust, and all political parties were banned. The precursor to the present National Democratic Party (NDP) was formed by Nasser in 1962 and was called the Arab Socialist Union. It served as the Egyptian republic's first mass party and an extension of the ruling elite. Other movements, such as the Muslim Brotherhood, were forced to go underground, as Nasser arrested thousands of Brotherhood activists after a failed Brotherhood assassination attempt against him in 1954.⁹⁹

⁹⁷ M.E. Yapp, *The Near East Since the First World War*, London: Longman, 1991, p. 409.

⁹⁸ During the Yemeni Civil War of 1963 through 1967, Egypt reportedly used mustard bombs in support of South Yemen against Saudi-backed royalist troops in North Yemen. See Federation of American Scientists (FAS) Egypt Special Weapons Guide, available online at <http://www.fas.org/nuke/guide/egypt/index.html>.

⁹⁹ One of the Brotherhood activists arrested was Sayyid Qutb, a writer and former government official whose writings (continued...)

Egypt-Israeli Peace

After Nasser's death in 1970, Vice President Anwar Sadat, one of the original Free Officers, became President of Egypt. At the time, Egypt was humiliated by its defeat in the June 1967 War and the ensuing loss of the Sinai Peninsula to Israel. In addition, military rebuilding expenditures were absorbing nearly 25% of Egypt's gross domestic product. Under these circumstances, Sadat calculated that a military victory was needed to boost his own legitimacy and improve Egypt's position in any future negotiations with Israel. The October 1973 War, which initially took Israel by surprise, was costly for both sides, but succeeded in boosting Sadat's credibility with the Egyptian people, enabling him to embark on a path which would ultimately sever Egypt's ties to the Soviet Union and bring it closer to the West.

In November 1973, Egypt and the United States restored diplomatic relations (which had been cut off in 1967), and in December, the two countries participated in the Geneva peace conference. U.S. Secretary of State Henry Kissinger's shuttle diplomacy led to Egyptian-Israeli and Syrian-Israeli disengagement agreements in 1974 and a second set of Egyptian-Israeli disengagements in 1975. The United States resumed economic aid to Egypt in 1975 after an eight-year hiatus.

The Camp David Agreement and 1979 Peace Treaty

On November 20, 1977, President Sadat made his historic visit to Israel, where he addressed the *Knesset* (parliament). Sadat's visit was symbolic as he became the first Arab leader to visit Israel, thereby implicitly recognizing the Jewish state. Sadat believed that his initiative would jumpstart the Arab-Israeli peace process, which had stalled.

In the late summer of 1978, Israeli and Egyptian leaders accepted an invitation from President Carter to attend talks at Camp David, MD, intended to save what had been a faltering peace process. After nearly two weeks of clandestine and exhausting negotiations, on September 17, 1978, Egypt and Israel, with the United States as a witness, signed two agreements, *A Framework for Peace in the Middle East* and *A Framework for the Conclusion of a Peace Treaty between Egypt and Israel*. The first "framework" called for an autonomous Palestinian entity in the West Bank and Gaza Strip following an Israeli withdrawal. The latter agreement ultimately led to the signing of the 1979 Israel-Egypt peace treaty. Israel maintained that the two agreements were not linked, as it did not want to be obligated to grant self-determination to the Palestinians.

On March 26, 1979, President Sadat and Israeli Prime Minister Menachem Begin signed a peace treaty,¹⁰⁰ the first ever between Israel and an Arab country, in a ceremony at the White House. Three days later, the Arab League voted to expel Egypt from its ranks. At the time, the rest of the Arab world felt betrayed by Egypt for making a separate peace with Israel.

The 1979 Peace Treaty between Israel and Egypt ushered in the current era of U.S. financial support for peace between Israel and her Arab neighbors. In two separate memoranda

(...continued)

provided a philosophical foundation for Islamic radicalism. Qutb spent years in prison and, after being briefly released in 1964, was rearrested and hanged in 1966. See Daniel Benjamin & Steven Simon, *The Age of Sacred Terror* (New York: Random House, 1966), p. 62.

¹⁰⁰ A copy of the 1979 Egyptian-Israeli peace treaty is available online from MidEast Web Gateway at <http://www.mideastweb.org/egyptisraeltreaty.htm>.

accompanying the treaty, the United States outlined commitments to Israel and Egypt, respectively. In its letter to Israel, the Carter Administration pledged to “endeavor to take into account and will endeavor to be responsive to military and economic assistance requirements of Israel.”¹⁰¹ In his letter to Egypt, former U.S. Secretary of Defense Harold Brown wrote that “the United States is prepared to enter into an expanded security relationship with Egypt with regard to the sales of military equipment and services and the financing of, at least a portion of those sales.”¹⁰² Ultimately, the United States provided a total of \$7.3 billion to both parties in 1979. The Special International Security Assistance Act of 1979 (P.L. 96-35) provided both military and economic grants to Israel and Egypt at a ratio of 3 to 2, respectively, though this ratio was not enshrined in the treaty as Egypt would later claim.

For Egypt, U.S. funds helped to subsidize its defense budget and upgrade its aging Soviet hardware. Egypt became the second-largest recipient of U.S. aid after 1979. The U.S. assistance program in Egypt also helped modernize the country’s infrastructure, as U.S. economic assistance was used to build Cairo’s sewer system, a telephone network, and thousands of schools and medical facilities. The United States also helped organize the peacekeeping mission along the Egyptian-Israeli border and the Multi-National Force and Observers (MFO), and still maintains a rotating infantry task force as part of it.¹⁰³

Egypt Under Mubarak

Sadat’s rule came to an abrupt end in 1981, when he was assassinated during a military parade in Cairo by soldiers who also belonged to the Jamaah Islamiyah (Islamic Group) and Al Jihad, the more radical offshoots of the Muslim Brotherhood. Hosni Mubarak, Sadat’s Vice President and former commander of the Egyptian Air Force, immediately ascended to the presidency and has remained in office to the present day. Under Mubarak, Egypt has continued to maintain good relations with the United States, as evident in Egypt’s 1991 decision to join the allied coalition against Saddam Hussein in Operation Desert Storm. The United States and Egypt began conducting bi-annual joint military training exercises in 1983. U.S. and Egyptian armed forces served together in Somalia in 1991, and were part of an international peacekeeping force in Bosnia in the mid 1990s. Egypt now assembles the “Abrams” M-1 tank at a government facility near Cairo (some components are shipped from the United States and other components are manufactured in Egypt).

Following the path laid out by Sadat, Egypt has remained at peace with Israel, although critics have characterized this as a “cold peace.” Mubarak has made a number of attempts to serve as a broker for Israeli-Palestinian peace talks. During the Mubarak era, conflict between Egyptian Islamists and the Egyptian authorities continued, culminating in a period (1992-1997) of violent confrontations between Islamic militants and Egyptian police.

¹⁰¹ Memorandum of Agreement between the Governments of the United States of America and the State of Israel, March 26, 1979. Available online at: <http://www.mfa.gov.il/mfa/peace%20process/guide%20to%20the%20peace%20process/us-israel%20memorandum%20of%20agreement>.

¹⁰² Letter on United States Defense Assistance to Egypt, March 23, 1979. *The Search for Peace in the Middle East, Documents and Statements, 1967-79*, Prepared for the House Committee on Foreign Affairs by the Congressional Research Service, 1979.

¹⁰³ The MFO is an independent (non-UN) peacekeeping mission, created as a result of the 1979 peace treaty. The MFO’s expenses are funded in equal parts by Egypt, Israel, and the United States with additional contributions from Germany, Japan, and Switzerland. For more information on the MFO, see <http://www.mfo.org/Default.asp?bhcp=1>.

After the September 11, 2001, terrorist attacks and the ensuing U.S. focus on promoting democracy in the Middle East, the Mubarak regime has come under increasing U.S. pressure to accelerate political reforms and make Egypt more democratic. In an effort to control the reform agenda without relinquishing their grip on power, Mubarak and the ruling National Democratic Party (NDP) have instituted some political reforms, while emphasizing the need for economic growth as a precondition for democratic change.

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