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United States Assistance for Egypt

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United States Assistance for Egypt

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Before the

Senate Committee on Appropriations, Subcommittee on State, Foreign
Operations, and Related Programs

United States Senate

1st Session, 115th Congress

Mr. Chairman and Members of the Committee,

It is an honor to appear before you today to discuss United States assistance to Egypt. I will concentrate on the security side of the US-Egypt aid relationship in my testimony.

There is a remarkable similarity between the structure of US aid to Egypt, and the structure of the Egyptian military. Both were established decades ago, and both badly need rethinking and upgrading.

As the Congressional Research Service summed it up, “Between 1948 and 2016, the United States provided Egypt with \$77.4 billion in bilateral foreign aid (calculated in historical dollars—not adjusted for inflation), including \$1.3 billion a year in military aid from 1987 to the present.”¹ As you know, our aid to Egypt leapt upward after the Sadat visit to Jerusalem and the Camp David Accords of 1978. The assistance numbers are

¹ U.S. Library of Congress, Congressional Research Service, *Egypt: Background and U.S. Relations*, by Jeremy Sharp, RL33003 (2017), <https://fas.org/sgp/crs/mideast/RL33003.pdf>.

\$370 million in 1975, for example, and \$2.588 billion in 1979. Since then the average amount of aid, in total, has been around \$2 billion per year, of which 1.3 billion has been military aid since the late 1980s.

But that's thirty years ago, Mr. Chairman. The Middle East has changed, and Egypt's role in the Middle East has changed. The Egypt of decades ago was the single most influential Arab country, whose position on every issue of significance in the region was of real importance to the United States. If we wanted to achieve, or to block, something in the Arab League, it often took little more than a conversation with Egypt's president. Egypt was critical to the Israeli-Palestinian "peace process." Today, Egypt has no role of significance when it comes to the conflict in Yemen, or in Iraq, or in Syria, nor frankly does it have much of a role in mediating between Israelis and Palestinians. As an analysis by the Middle East Institute stated,

During the 1990s and afterwards, there were numerous illustrations of Egypt's diminished status in the Arab world. If Egypt played any role at all in the efforts to advance the negotiations between Israel and its Arab neighbors in the 1990s, it was only a marginal one. Egypt took no part in the preliminary work that was necessary in order to convene the Madrid Conference and set in motion a new Arab-Israel peace process under American sponsorship. The Oslo Agreement between Israel and the Palestine Liberation Organization (PLO) was signed behind Egypt's back, as was the peace agreement between Israel and Jordan, which angered the Egyptians, who thought Jordan would reap the fruits of peace at Egypt's expense.²

Egypt's weight in the region has simply declined.

The aid we have been giving to Egypt since the late 1970s and continue to give now should have a purpose. What actually do we want for it? Why do we give it? With the passage of time, I think it is fair to say we don't need to bribe or reward Egypt for its relations with Israel. As we saw under President Morsi, even a Muslim Brotherhood government did not end diplomatic relations and security cooperation with Israel—because those relations are in Egypt's interest. So our aid should be based on our desire to help achieve a stable, secure, Egypt that can defeat the terrorist threat it faces and protect its borders, helps to stabilize the region, and remains at peace with Israel. We also want to help the Egyptian people achieve a system that is more democratic and more respectful of their human rights. I will never forget a conversation I had more than a decade ago with the late Congressman Tom Lantos, a great champion of human rights. I was an official of the George W. Bush administration and we were discussing aid to Egypt, and Tom Lantos posed a question. He said, "Tell me, really, do you think Egypt needs more tanks, or more schools?"

We should judge the overall U.S. aid program against all those goals.

² "The Middle East Institute Viewpoints: The Legacy of Camp David: 1979-2009," (Middle East Institute: Washington, DC, 2009), 31, <http://www.mei.edu/sites/default/files/publications/Legacy-Camp-David.pdf>.

Let us look first at the Egyptian military. While our goals are above all to help it fight terrorism, the Egyptian military remains a force designed to conduct conventional war—against Israel. Major military exercises continue to presume Israel is the enemy. As an Israeli analysis put it last year, “The Egyptian military is essentially still modeled to refight the 1973 war, with a war paradigm very similar to that of 1973, yet with more advanced hardware and somewhat improved tactics. Its core competence is to move large armored and infantry formations into forward defense positions, under the cover of a mobile integrated air-defense system. Egypt’s focus is still on main battle platforms (such as tanks, frigates, jets, etc).”³ The analysis from Stratfor put it this way:

[W]hile the existential threat from conventional foreign militaries has waned in recent years, the new and unconventional dangers of insurgencies, terrorism and non-state actors have risen to take its place. Egypt's large and inflexible conventional forces, which are better suited to guard against foreign incursion, may not be as capable of addressing the country's current security issues.... While Egypt has taken some steps toward better equipping its troops for counterinsurgency campaigns, it remains overwhelmingly focused on enhancing its military's conventional fighting capabilities. This stance is especially visible in the Egyptian military's force structure. Rather than restructuring its forces into a more flexible organization geared toward counterinsurgency operations, the military has maintained a centralized hierarchy that is broken down into conventional military region, army, corps and division units of command. It has also continued to invest heavily in weaponry such as surface-to-air missile batteries, anti-ship missiles, tanks and frigates that, for the most part, are useless for addressing Egypt's counterinsurgency and counterterrorism threats.⁴

Recently, Egypt has begun exercises with Russia for the first time: a news story dated October of last year was headlined “First Russian-Egyptian military exercise on Egyptian soil.”⁵

The Egyptian military is spending huge sums on enhancing that conventional capability. The Congressional Research Service reports that

In February 2015, Egypt purchased 24 Dassault Rafale multirole fighters, a frigate, and missiles from France in a deal worth an estimated \$5.9 billion (half of which is financed by French loans). France delivered the first three planes in July 2015. In 2014, France sold Egypt four naval corvettes and a

³ Ron Tira, “The Future Middle East Strategic Balance: Conventional and Unconventional Sources of Instability,” *Proliferation Papers* 56 (2016): 35, https://www.ifri.org/sites/default/files/atoms/files/prolif56_tira_oksl_v2.pdf.

⁴ “Egypt’s Conventional Military Thinking,” Stratfor, June 12, 2015, <https://www.stratfor.com/analysis/egypts-conventional-military-thinking>.

⁵ “First Russian-Egyptian military exercise on Egyptian soil,” Heaven TV7 Jerusalem, October 26, 2016, <http://www.tv7israelnews.com/first-russian-egyptian-military-exercise-on-egyptian-soil/>.

frigate in a deal worth \$1.35 billion. In the fall of 2015, France announced that it would sell Egypt two Mistral-class helicopter carriers (each carrier can carry 16 helicopters, four landing craft, and 13 tanks) for \$1 billion. In a separate deal with Russia, Egypt will purchase 46 Ka-52 Alligator helicopters which can operate on the Mistral-class helicopter carrier.⁶

Other Russian arms sales include Antey-2500 (S-300) anti-ballistic missile system (a \$1 billion contract) and 46 MiG-29 multirole fighters (a \$2 billion contract). How do an anti-ballistic missile system and advanced combat jets really combat terrorist groups like Islamic State? How do submarines? Yet Egypt just last week received a German-made attack submarine—the first of four it has ordered, for a total reported price of 1.4 billion Euros.⁷

There are other problems with our arms aid to Egypt. The Government Accountability Office published a report in March last year entitled “U.S. Government Should Strengthen End-Use Monitoring and Human Rights Vetting for Egypt.” That report states that we cannot account for all the aid we are giving Egypt and indeed that Egypt is hindering US efforts to track the billions of dollars in assistance. The GAO report referred to “the Egyptian government’s incomplete and slow responses to some inquiries limited U.S. efforts to verify the use and security of certain equipment, including NVDs [night vision devices] and riot-control items.”⁸

There is also a problem with human rights vetting. GAO said that

The U.S. government completed some, but not all, human rights vetting required by State policy before providing training or equipment to Egyptian security forces. State deemed GAO’s estimate of the percentage of Egyptian security forces that were not vetted to be sensitive but unclassified information, which is excluded from this public report. Moreover, State has not established specific policies and procedures for vetting Egyptian security forces receiving equipment. Although State concurred with a 2011 GAO recommendation to implement equipment vetting, it has not established a time frame for such action. State currently attests in memos that it is in compliance with the Leahy law. However, without vetting policies and procedures, the U.S. government risks providing U.S. equipment to recipients in Egypt in violation of the Leahy laws.⁹

⁶ U.S. Library of Congress, Congressional Research Service, *Egypt: Background and U.S. Relations*, by Jeremy Sharp, RL33003 (2017), 18, <https://fas.org/sgp/crs/mideast/RL33003.pdf>.

⁷ “First Egyptian Navy Type 209/1400 submarine arrives to Egypt,” *Naval Today*, April 19, 2017, <https://navaltoday.com/2017/04/19/first-egyptian-navy-type-2091400-arrives-to-egypt/>.

⁸ U.S. Government Accountability Office, *Security Assistance: U.S. Government Should Strengthen End-Use Monitoring and Human Rights Vetting for Egypt*, GAO-16-435 (Washington, DC, 2016), <http://www.gao.gov/assets/680/676503.pdf>.

⁹ *Ibid.*

Egypt's approach to combating terrorism, which we are in fact supporting to the tune of \$1.3 billion per year, is not succeeding. There is a real effort in Sinai, but very recently we saw terrorism extending again from northern to southern Sinai. The Congressional Research Service report from which I quoted previously, dated March 24, 2017, noted that "Terrorists belonging to the Islamic State-affiliated Sinai Province (SP) have attacked military bases and police checkpoints, killing hundreds of Egyptian soldiers. Egypt has declared a state of emergency in northern Sinai, where most of the attacks take place."¹⁰ But the most recent Sinai attack was in southern Sinai, one week ago, Tuesday, April 17, at St Catherine's monastery.¹¹ One policeman was killed and four wounded, demonstrating sadly that Islamic State continues to be able to operate in southern Sinai. On March 24, skirmishes with insurgents produced a dozen casualties, ten soldiers and two policemen.

While no one can doubt the desire of the Egyptian government to end terrorism and defeat Islamic State in Sinai, its tactics appear to be failing. Just as the terrorist attacks have become routine, so too have heavy-handed Egyptian responses resulting in civilian casualties. Egyptian security forces continue to accidentally kill considerable numbers of civilians in counterterror operations. In one incident, a group of tourists was mistakenly bombed in 2015. In January, a drone strike caused 10 civilian deaths. On April 20, a video surfaced on Twitter "that appears to show members of the Egyptian military shooting unarmed detainees to death at point-blank range in the Sinai Peninsula and staging the killings to look as if they had happened in combat."¹² Details surrounding the incident remain unclear.

An analysis by the Carnegie Endowment concluded that "State-sanctioned violence against civilians has only increased local anger against the military...." and that Egyptian policy "has shifted some sympathy from the military to the militants, who are increasingly seen as a way to take revenge....The combination of heavy repression, numerous civilian casualties, and the increased reliance on the use of airpower and heavy weaponry has not only alienated the local population, it has proven highly ineffective."¹³

It's not just the violence that is alienating Sinai residents, but the neglect as well. An article in *Foreign Affairs* last month said this:

¹⁰ U.S. Library of Congress, Congressional Research Service, *Egypt: Background and U.S. Relations*, by Jeremy Sharp, RL33003 (2017), 13, <https://fas.org/sgp/crs/mideast/RL33003.pdf>.

¹¹ Declan Walsh, "Gunmen Kill Police Officer Near St. Catherine's Monastery in Egypt," *New York Times*, April 18, 2017, https://www.nytimes.com/2017/04/18/world/middleeast/egypt-monastery-sinai-attack-isis.html?_r=1&mc_cid=8aa4c1c91b&mc_eid=9a4f749274.

¹² Matthew Haag, "Video Appears to Show Egyptian Soldiers Killing Unarmed Men in Sinai," *New York Times*, April 20, 2017, <https://www.nytimes.com/2017/04/20/world/middleeast/egypt-soldiers-extrajudicial-killings-sinai-peninsula.html>.

¹³ Maged Mandour, "The Heavy Civilian Toll in Sinai," Carnegie Endowment for International Peace, March 16, 2017, <http://carnegieendowment.org/sada/68296>.

Sinai residents are prohibited from joining any senior post in the state. They cannot work in the army, police, judiciary, or in diplomacy. Meanwhile, no development projects have been undertaken in North Sinai the past 40 years. The villages of Rafah and Sheikh Zuwayed have no schools or hospitals and no modern system to receive potable water. They depend on rainwater and wells, as if it were the Middle Ages.¹⁴

That is no way to win the residents away from the terrorists. The *Foreign Affairs* article warns that “the population trusts the army less by the day as it cuts off communications and services, sieges the city, bombs villages, and displaces residents.”¹⁵

The Egyptian government claims to be winning the battle against terror in Sinai, but its claims are suspect. The Carnegie report suggests that the numbers are not credible:

the number of casualties during counterterrorism operations far exceeds the estimated number of Wilayat Sinai fighters. Since the start of the large counterterrorism “Operation Martyr’s Right” in September 2015, the Egyptian military has reported that 2,529 militants were killed and 2,481 others arrested as of December 2016. However, foreign intelligence agencies, including the Central Intelligence Agency (CIA) and the Israel Defense Forces, estimated in mid-2016 that the size of Wilayat Sinai ranges from several hundred to a thousand militants, far below the numbers of reported killings. This disconnect can be explained by faulty intelligence or by inflating of the number of militants killed to include civilian deaths among militant deaths. The Egyptian government has a history of attacking civilians mistaken for militants. Local sources in Sinai back up the existence of such incidents, including an invented attack on a police station in Sheikh Zuweid that was used to justify the deaths of civilians in September 2013.¹⁶

Sinai is a particularly dangerous area but the battle against terrorism is a difficult one throughout Egypt. The Department of State issued a travel warning in December that begins “The U.S. Department of State warns U.S. citizens of threats from terrorist groups in Egypt and to consider the risks of travel to the country.”¹⁷ Same for Canada, which tells citizens “Global Affairs Canada advises against non-essential travel to Egypt due to the unpredictable security situation. This advisory does not apply to the Red Sea coastal resorts of Hurghada (and its surroundings) and Sharm el-Sheikh, nor to the area from Luxor to Aswan along the upper Nile, where you should exercise a high degree of caution...The security situation in Egypt is

¹⁴ Maged Atef, “Sinai’s Suffering,” *Foreign Affairs*, March 13, 2017, <https://www.foreignaffairs.com/articles/egypt/2017-03-13/sinai-s-suffering>.

¹⁵ Ibid.

¹⁶ Mandour, “The Heavy Civilian Toll in Sinai.”

¹⁷ “Egypt Travel Warning,” U.S. Department of State, December 23, 2016, <https://travel.state.gov/content/passports/en/alertswarnings/egypt-travel-warning.html>.

unpredictable. There is a significant risk of terrorist attacks throughout the country. Attacks can be indiscriminate and occur with no warning, including in Cairo.”¹⁸

I would suggest that in our general battle against terrorism, Mr. Chairman, Egypt is acting in ways that will in fact make it not an asset but a liability—indeed will make it a jihadi factory. It is estimated that there are 60,000 political prisoners in Egypt today—meaning individuals who did not commit crimes of violence. If you take thousands of young men, toss them into prison, beat and torture them, incarcerate them for lengthy periods with actual jihadis, what comes out at the end of the process is in fact more jihadis.

There can be little debate about prison conditions and about the maltreatment of prisoners. But there can also be little debate about what this produces. Here is part of a *New York Times* article about prisoners in Egypt:

Ayman said that many of the prisoners he met were from the Muslim Brotherhood, the Islamist political organization that briefly held power after Mubarak. The group formally renounced violence in the early 1970s, but Ayman watched his cellmates grow hardened in prison. “The torture and unjust imprisonment for long periods without clear charges or trial dates created human bombs,” he said. “Each one of them was just waiting to get out. They are so thirsty for revenge.”¹⁹

Last year an NPR story reminded us that “Egypt has a history of breeding militancy in its jails. Prominent jihadists including al-Qaida leader Ayman al-Zawahiri were radicalized during their abuse and humiliation in prison. Now it appears to be continuing, possibly on a wider scale to match a broad crackdown on rights in Egypt.”²⁰ The story quotes one journalist who was jailed, Hossam el-Deen:

In jail, they become ISIS. And this is very horrible. Many people — not one or two or three, many....And I saw even members of Muslim [Brotherhood] become ISIS now. Some of them spent three years now without any real accusation in this very hard condition — so they become thinking that violence is the solution.²¹

The story then recounts a communication with someone still in prison:

Today he sleeps on the floor, with no mattress, in a cell with 10 other people.

¹⁸ “Egypt,” Government of Canada, April 12, 2017, <https://travel.gc.ca/destinations/egypt>.

¹⁹ Joshua Hammer, “How Egypt’s Activists Became ‘Generation Jail,’” *New York Times*, March 14, 2017, https://www.nytimes.com/2017/03/14/magazine/how-egypts-activists-became-generation-jail.html?_r=0.

²⁰ Leila Fadel, “As Egypt’s Jails Fill, Growing Fears of a Rise in Radicalization,” NPR, August 24, 2016, <http://www.npr.org/sections/parallels/2016/08/24/491170122/as-egypts-jails-fill-growing-fears-of-a-rise-in-radicalization>.

²¹ *Ibid.*

He told me that ISIS members imprisoned with him try to recruit him frequently. He says there are more than 100 ISIS members inside, and they openly sing Islamic State chants together at night. They bring him food. They talk to him about his father, who was killed in 2013 along with nearly 1,000 others, when the government crushed two sit-ins in Cairo. They tell him he should take revenge.²²

Ahmed Maher, a leader of the movement that peacefully overthrew Hosni Mubarak, and who is now under house arrest in Egypt after being imprisoned for his opposition to the government, gave us all another warning:

Prison has really become a breeding ground for extremists. It has become a school for crime and terrorism, since there are hundreds of young men piled on top of each other in narrow confines, jihadists next to Muslim Brotherhood members next to revolutionaries next to sympathizers. There are also a large number of young people who were also arrested by mistake and who don't belong to any school of thought.

Everyone is suffering oppression and punishment inside the prisons. Everyone is accused of being either a terrorist or a member of the Muslim Brotherhood. This is turning the people arrested by mistake who don't belong to any movement into jihadists. Moreover, Muslim Brotherhood members are gradually becoming radicalized, since they suffer from inhumane treatment in the prisons. The authorities treat the prisoners like slaves, and this inspires a thirst for revenge, not to mention the undignified treatment that the families face when they visit.

ISIS has exploited the situation.²³

So I believe that the current policies of the government of Egypt almost guarantee that terrorism will continue and may indeed expand.

Our military assistance program is pretty much irrelevant to the effort to combat terror in Egypt. The Egyptian military has, as I've noted, wanted to spend vast sums on submarines and frigates and high-performance combat jets, all of which are useless in fighting terror and waste scarce resources. I believe we should all be reviewing our own aid to see how it can be made far more useful to the achievement of our own goals: to repeat what I said earlier, to help achieve a stable, secure Egypt that can defeat the terrorist threat it

²² Ibid.

²³ "In Translation: April 6's Ahmed Maher on Egypt under Sisi," *Arabist*, August 17, 2015, https://arabist.net/blog/2015/8/17/in-translation-april-6s-ahmed-maher-on-egypt-under-sisi?utm_source=Sailthru&utm_medium=email&utm_campaign=New%20Campaign&utm_term=%252AMideast%20Brief.

faces and protect its borders, help to stabilize the region, remain at peace with Israel, and protect the freedom and human rights of Egyptians.

Stratfor suggests some changes that would be useful: “Such an effort would require heavy investment into rapid reaction forces equipped with sophisticated infantry weapons, optics and communication gear. These forces would need to be backed by enhanced intelligence, surveillance and reconnaissance platforms. In order to transport them, Egypt would also need numerous modern aviation assets.”²⁴ By the latter I assume they mean things like transport capabilities that would permit getting well-trained counter-terror forces to where they are needed very quickly.

We need to discuss the mix of weaponry now being given to Egypt to see how it matches with our objectives. As you know this has been an American goal at least since 2015—to align FMF with shared security interests. This is a matter of equipment, but also of training and doctrine. And all of the aid, and the advice and training we give, of course exists in a context—in this case, the context of growing terrorist activity in Egypt combined with a repressive government policy that seems most likely to increase rather than diminish the ability of terrorists to recruit.

We remain too much on automatic pilot, continuing an aid program that reflects a Middle East and an Egypt of thirty or forty years ago. That’s why this hearing and the Committee’s work to review that program and rethink the aid relationship with Egypt is of such great value.

Thank you for this opportunity to appear before the Committee.

²⁴ “Egypt’s Conventional Military Thinking,” Stratfor, June 12, 2015, <https://www.stratfor.com/analysis/egypts-conventional-military-thinking>.



CARNEGIE
ENDOWMENT FOR
INTERNATIONAL PEACE

Congressional Testimony

**THE UNITED STATES' ASSISTANCE
FOR EGYPT**

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Carnegie Endowment for International Peace

Testimony before U.S. Senate Appropriations
Subcommittee on State, Foreign Operations, and
Related Programs

April 25, 2017

Chairman Graham, Ranking Member Leahy, Subcommittee members, thank you for this opportunity to address the subcommittee.

The problem for United States' assistance to Egypt is precisely this: how can the United States best support an important country and longtime regional ally when its government adopts policies that promise chronic instability? The United States has an interest in supporting a stable Egypt, at peace with its neighbors and itself. The Egyptian-Israeli peace is well established on the military and intelligence levels, although lamentably cold on the civilian and citizen level. While the United States will always do what it can to encourage closer and more multifaceted ties, at this point the relationship has its own dynamic. At the same time, there is much to be concerned about regarding what is happening inside Egypt, where security, economic, and political conditions have deteriorated since President Abdel Fattah al-Sisi took control in 2013. With \$77 billion in American taxpayer dollars invested since 1948 in security and economic assistance to Egypt,¹ it is time for the United States to reconsider its approach.

While President Sisi is fond of presenting Egypt as a bastion of stability in a troubled region, in reality the country is at best limping along and is likely headed for unrest within a few years. There are chronic challenges that date back years or decades, well before Sisi came to power: a rapidly growing population; an economy that generates few jobs; an enormous, obstructionist bureaucracy; and a history of indigenous terrorist groups. But there are also newer problems that Sisi has caused or exacerbated, which have made the overall picture much worse than it was under former presidents Hosni Mubarak or Mohammed Morsi. When Sisi took control in 2013, Egypt did not have a virulent insurgency, thousands dead in extrajudicial killings, tens of thousands of political prisoners, hundreds of enforced disappearances, hundreds killed in terrorists attacks annually including the recent suicide bombings targeting Christians, and a desperate economic situation. Egypt has all of those problems now, along with the strong social polarization and susceptibility to radicalization that result. While regional factors (conflict in Libya and the creation of the self-proclaimed Islamic State) are not helping, Egypt's problems are in the main homegrown.

Economic Drivers of Instability

In the unhappy context of unprecedented political repression and rights abuses, Egyptians are also beset by an extremely difficult economic situation. In the first few months of 2017, the misery index—the rate of annual inflation plus unemployment—for Egyptians has been about 45 percent. Core inflation in recent months has been between 30 and 33 percent; food prices are rising at an annual rate of 39 percent,² a serious problem in a country in which a significant number of citizens are poor and spent a large percentage of their income on food. Unemployment according to official statistics is about 12.6 percent;³ many experts believe this underestimates the true unemployment rate, which for young people is estimated at an average 30 percent and for young women nearly 50 percent.⁴ So for Egyptians under 30—those most likely to cause unrest—the misery rate ranges from 60 to more than 80 percent. Despite harsh anti-protest laws put in place after 2013, public unrest related to the economy (such as protests against shortages of bread, sugar, baby formula) has been on the rise.

The current high inflation is due to a decision President Sisi took in November 2016, for which he has received much praise: he floated the Egyptian currency, after years in which he and his predecessors

spent billions supporting the currency at an artificially high rate. That was a necessary step, one of several which Sisi took to secure an IMF standby agreement; he has also instituted a value-added tax and reduced energy subsidies, needed for fiscal stabilization after Gulf States started cutting back their cash aid. But if the currency devaluation is not accompanied by steps to increase investment and generate jobs, it will be pain without gain.

The Problem with Egypt's Economic Policies

This brings us to the core problem of the Egyptian economy: it does not generate nearly enough jobs for the number of new entrants into the labor force. Egypt has a population of nearly 94 million, increasing by one million every six months. There are more than 600,000 new entrants into the labor market every year,⁵ a number that will rise sharply in coming years. Yet despite lip service from the government about the need to create new jobs, Sisi's economic policies are not oriented toward attracting investment in labor-intensive industries or services. They do not encourage the creation or growth of the small and medium enterprises that have the potential to generate most jobs.⁶ Sisi's government also has not undertaken serious efforts to develop the Egyptian labor force through education and training; private sector employers complain persistently that graduates of public secondary schools and universities lack the basic skills needed to perform the jobs that are available.

Instead of focusing on creating jobs and improving labor force skills, Sisi's economic policies are oriented toward helping his most important constituency—the military—to make money. That means undertaking mega construction projects, such as the second Suez Canal passage and new administrative capital in the desert (“Wedian”), with no serious consideration as to whether such projects will generate significant employment, growth, or even revenue for the government. Sisi has also decreed many changes in laws, regulations, and government contracting procedures to allow the military or military-affiliated companies to take a larger-than-ever share of the economic pie.⁷

The fact that economic decisions in Egypt serve such a narrow range of interests reflects the overall constriction of public institutions as well as civil society. The parliament is open only to coup-supporters, with not only most Islamists but also many secular parties either legally barred or strongly harassed—even including several larger secular parties that have supported Sisi but have tried to preserve some modicum of independence.⁸ The judiciary, once the branch of the government most respected by citizens, has become highly politicized. Media and journalists have been strongly repressed, and there are very few media outlets that are truly independent. Civil society groups, both secular groups focusing on human rights or civil liberties and social welfare groups suspected of ties to the Muslim Brotherhood, have received harsh treatment unprecedented in Egypt—closed down, assets confiscated, leaders either under prosecution or driven out of the country by death threats.

All of this repression of society and institutions adds up to a situation in which there is minimal input to Sisi on important decisions, which are therefore made in the interests of the few and not the many. This is a more exaggerated version of what has long been the case; during the Mubarak era economic decisions were made to favor crony capitalists as well as the military, whereas now it is just the military.

The U.S. Dilemma Regarding Assistance

For the United States, Egyptian government decision-making that works against stability rather than for it has become a bigger problem over time. U.S. assistance increased sharply at the time of the Egyptian-Israeli peace in the late 1970s, and for a while military and economic assistance were each funded at about \$1 billion per year. Over time, military assistance stabilized at \$1.3 billion annually, while economic assistance began to drop off gradually, until in recent years it has been \$150 million per year. Egypt has used much of the military assistance to arm itself with heavy weapons (such as fixed-wing aircraft and tanks) for the sort of ground war it has not fought since 1973 and might not ever fight again, resisting persistent advice from U.S. officials to devote more assistance to training, lighter weapons, and higher technology.

The United States has gradually decreased economic assistance partly due to difficulties in implementing programs with Egyptian government partners as well as persistent disagreements between U.S. and Egyptian officials about needed reforms.⁹ While some Egyptian officials have welcomed mutually-agreed reform programs, training, and technical assistance, others have stonewalled or frustrated such programs, pressing instead for cash assistance. The more pernicious side of this has been the strong campaign of harassment and retribution against American NGOs carrying out assistance programs, as well as Egyptian organizations or individuals who work with American or European organizations.¹⁰ This is hardly the behavior of a partner in development.

Opportunity for a New Approach

With a new U.S. administration in office that is reexamining foreign assistance priorities overall, there is an opportunity to take assistance to Egypt off auto-pilot and design an approach that better serves the interests of the United States and of Egypt—the nation broadly, not only the military. Members of Congress and of this Subcommittee, with their long experience in dealing with assistance to Egypt, have a special responsibility to shape an approach that makes sense and draws on lessons learned.

The new approach should have a tighter focus on the most pressing threats to Egypt's stability: terrorism, but also inadequate education, unemployment, and the destruction of civil society. Ideally the U.S. and Egyptian governments would agree on assistance programs and the Egyptian government would cease harassment of implementing organizations. If those goals are unrealistic with the current government, the United States can still extend assistance to the Egyptian people with a minimum of government cooperation. At a bare minimum, the U.S. government should ensure that its assistance is neither wasted nor complicit in exacerbating the country's problems.

Recommendations for FY 2018 Assistance to Egypt:

Foreign Military Financing

- Rather than starting with a fixed amount of FMF, assess the actual threats to Egypt's security and to U.S. interests in Egypt, which center primarily on security of the borders with Libya and Gaza, the Sinai insurgency, and the proliferation of small militant groups in mainland Egypt.

- Determine what sort of training, technical assistance, and weaponry the United States could provide to help the Egyptian military face these threats, and what it will cost.
- Make further security assistance contingent on a stop to extrajudicial killings, torture, enforced disappearance, and other serious human rights abuses by the Egyptian government carried out in Sinai and elsewhere. There is no point in trying to help the government to fight terrorism while it enflames the problem at the same time, potentially with the use of U.S.-provided equipment.

Economic Support Funds

- Set an example of wise investment in human development by devoting most new economic assistance to merit-based scholarships for higher or vocational education at quality institutions in Egypt or abroad, including the American University in Cairo. Consider converting the existing backlog of unobligated economic assistance, amounting to several hundred million dollars, into a fund for such scholarships.
- Model good practices for job creation and support small and medium enterprises by continuing to fund the Egyptian-American Enterprise Fund.
- Continue direct assistance to Egyptian civil society organizations, but not through the bilateral aid program. Such assistance should instead be administered either through the National Endowment for Democracy,¹¹ the Department of State's Bureau of Democracy, Labor, and Human Rights, or private foundations. Discontinue democracy and governance programs (judiciary, parliament, decentralization) with the government.
- Do not give budget support to the government in the form of cash transfers or loan guarantees under current circumstances, as the funds will disappear quickly with no discernable benefit to Egyptian citizens or to the United States. The United States has already helped to address the government's fiscal challenges by supporting a \$12 billion loan from the International Monetary Fund as well as encouraging Saudi Arabia to provide oil worth several hundred million dollars per month.

¹ Jeremy M. Sharp, "Egypt: Background and U.S. Relations," Congressional Research Service, March 24, 2017, <https://fas.org/sgp/crs/mideast/RL33003.pdf> .

² Core inflation for March 2017: 32.35 percent; for February 2017: 33.1 percent. Inflation for fruits and vegetables for March 2017: 39 percent; for February 2017 31.3 percent. Central Bank of Egypt website, <http://www.cbe.org.eg/en/EconomicResearch/Statistics/Pages/Inflation.aspx> .

³³ The World Bank, <http://www.worldbank.org/en/country/egypt/overview> .

⁴ Adel Abdel Ghafar, "Educated but Unemployed: The Challenge Facing Egypt's Youth," Brookings Doha Center, July 2016, https://www.brookings.edu/wp-content/uploads/2016/07/en_youth_in_egypt-1.pdf .

⁵ Ghada Barsoum, Mohamed Ramadan, and Mona Mostafa, "Labour market transitions of young women and men in Egypt," International Labour Organization, June 2014, http://www.ilo.org/wcmsp5/groups/public/@dgreports/@dcomm/documents/publication/wcms_247596.pdf .

⁶ Decision-making that favored insider privileges over broader job creation policies has been a persistent problem. See "More Jobs, Better Jobs: A Priority for Egypt," The World Bank, June 2014, <http://documents.worldbank.org/curated/en/926831468247461895/pdf/884470EG0repla00Box385343B00PUBLIC0.pdf> .

⁷ See Emily Crane Linn, "The Army and its President," Foreign Policy, January 28, 2016 <http://foreignpolicy.com/2016/01/28/the-army-and-its-president-egypt-sisi/> ; Shana Marshall, "The Egyptian Armed

Forces and the Remaking of an Economic Empire,” Carnegie Endowment for International Peace, April 2015, <http://carnegie-mec.org/2015/04/15/egyptian-armed-forces-and-remaking-of-economic-empire-pub-59726> .

⁸ Michele Dunne and Amr Hamzawy, “Egypt’s Secular Political Parties: A Struggle for Identity and Independence,” Carnegie Endowment for International Peace, March 2017, <http://carnegieendowment.org/2017/03/31/egypt-s-secular-political-parties-struggle-for-identity-and-independence-pub-68482> .

⁹ Amy Hawthorne, “Rethinking U.S. Economic Aid to Egypt,” Project on Middle East Democracy, October 2016, <http://pomed.org/pomed-publications/new-report-rethinking-u-s-economic-aid-to-egypt/> .

¹⁰ “Close Case 173,” Amnesty International, <https://www.amnesty.org/en/latest/campaigns/2016/12/close-case-173/> .

¹¹ The author serves on the board of the National Endowment for Democracy.

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Senate Appropriations Subcommittee on State, Foreign Operations and
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Hearing on United States Assistance for Egypt
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Mr. Chairman, members of the Committee, thank you for the opportunity to testify today.

There is a perception of Egypt that has guided our engagement with the country for decades. Egypt is the largest country in the Arab world; historically, it has exercised great political, cultural, and religious influence in the region as a whole. With that in mind, despite the internal turmoil Egypt has experienced in the last few years, the Obama administration, like its predecessors, tried to engage successive governments in Cairo to address regional challenges. We tried to address the internal turmoil, too, especially after the Tahrir Square revolution created what seemed like a real chance to help Egyptians build democracy. But as those hopes faded, Egypt began to look once again like a classic case of a country where our long term interest in better governance and human rights came into conflict with our immediate need to cooperate with an important country on security interests.

Looking back on our experience, I would say that the perception of Egypt as an important player in the region, and thus our weighing of the trade offs, needs revision. We should see Egypt more clearly for what it has become: a country that sucks up aid from the United States and the Gulf countries, treating our largesse as an entitlement, while contributing virtually nothing positive to regional security or prosperity. Yes, it is true that Egypt has maintained its peace treaty with Israel, but that is not a concession to us; it is something it does in its own interest. The one place in the region where Egypt has exercised independent influence is Libya, where it has made matters worse. It has played no significant role in the counter-ISIS coalition. We've given Egypt more than \$70 billion over the years, yet the last time I checked, there were no Egyptian F-16s helping us fight ISIS over Raqqa or Mosul. Meanwhile, the Egyptian military has taken our aid while consistently rejecting the advice we've offered alongside it – for example, that it fight the insurgency in the Sinai by securing rather than punishing the population. As a result, that insurgency has grown, and terrorism has increased in Egypt since President Sisi took power.

Despite all this, it is often said that President Sisi is the counter-terrorism partner we need. He is a religious man committed to secular politics. He says he wants to reform Islam. He promises to protect Christians. He tells us a lot of what we want to hear. And I'm willing to believe that he believes it. But we need to ask ourselves: why would young people in the Muslim world who might be open to persuasion by extremists look instead to an army general known for imprisoning and torturing thousands of young Egyptians for moral and spiritual guidance? General Sisi is not a man who can exercise influence in such matters, whatever his intentions. What he

should do is to focus on governing Egypt well, delivering services and security and giving his people the sense that they are being treated fairly and with dignity. That would be the best thing he could do to counter the extremists.

Unfortunately, neither good governance nor counter-terrorism has been the Egyptian military's top priority in recent years. Its focus, and General Sisi's, has been preserving its dominant position in Egypt's government and economy. To that end, it has concentrated as much on persecuting political opponents, peaceful protestors and independent NGOs – the very people in the country most likely to despise jihadism -- as it has on hunting down terrorists.

Prominent dissidents like Alaa Abdel Fatah and Ahmed Maher, both leaders of the 2011 Tahrir Square movement, remain in prison after being convicted in unfair trials. Tens of thousands of others who are not as well known are also behind bars for nothing more than having attended a demonstration or membership in a political party or for reasons that security agencies do not explain, since current counter-terrorism laws basically give them carte blanche to do what they want. Many prisoners languish for years in pre-trial detention, like the recently released American citizen Aya Hijazi. Some disappear for weeks or months, their fates hidden from family and lawyers. Many are subjected to the most brutal forms of torture. Read, if you have the stomach for it, the autopsy reports on the death of the Italian student, Giulio Regeni, who was disappeared in Cairo last year, and you will have a sense of the sadistic treatment Egyptians experience at the hands their security agencies, especially when suspected of political crimes. The top officials of those agencies know perfectly well what goes on and do nothing to stop it.

One consequence of the Egyptian government's conflation of political dissent with terrorism is that in the country's overcrowded prisons, peaceful protestors are held right alongside violent jihadists. I've heard from people released from those prisons that inside, the men from ISIS taunt those who had placed their faith in political activism: "You thought you could change Egypt through elections and look at what happened to you; next time, don't be a fool and fight with us."

The Sisi government has also intensified its crackdown on NGOs. A new NGO law the parliament adopted last November essentially places civil society groups under government supervision, prohibiting work that doesn't conform with the government's priorities. Here is an example of what that means in practice: this February, the government shut down the main organization in Egypt working to rehabilitate victims of torture.

Meanwhile, the government reserves its worst persecution and vitriol for those in Egyptian society who have received support from the United States. Think about what this means: Even as the Egyptian military takes billions of dollars from us, even as the Egyptian state and its lobbyists make the rounds in Washington urging us to improve the relationship, prominent Egyptians who commit the so called crime of partnering with us are prosecuted or have their bank accounts frozen. Mr.

Chairman, two of your counterparts in the Egyptian parliament who were among the most vocal supporters of good relations with the West and peace with Israel were thrown out of the parliament last year, including Mohammed Anwar Sadat, the nephew of the late President Sadat, who was expelled for speaking to Westerners about the NGO law.

This doesn't just happen to those associated with democracy and human rights issues. Last year, the Egyptians launched a smear campaign against the US non-profit organization RTI, through which we were providing aid to Egypt's education system. The Egyptian government prevented us from spending a significant share of our economic assistance because of restrictions it imposed or outrageous accusations it made against the implementing NGOs. Eventually, we moved some of that funding elsewhere.

All this has been part of a broader campaign in Egypt's state and pro-government media against the United States. General Sisi himself often has spoken about what he sees as the threat of "fourth generation warfare" – which other Egyptian military officials have explicitly defined as an effort by the US and other Western countries to weaken Egypt through promotion of democratic values and funding of NGOs. In the last couple of years, state media have constantly pushed the message that the United States aims to destroy Egypt from within. Some of it is obviously preposterous – my favorite was a full page spread in one newspaper alleging that the Hunger Games movies contained hidden signals to Egyptians to rise up against their state. But it's not a laughing matter. This propaganda reaches a lot more people than anything ISIS puts out, and it encourages deep cynicism and hostility towards the United States. We raised this with General Sisi during the Obama administration, and he has tempered his own comments since. But the larger problem in state media continues, and we should be much less tolerant of it.

What should we do in light of all these problems?

We should start with realistic expectations. US officials have spent countless hours with their Egyptian counterparts in recent years, urging economic reforms, better military strategies, and greater respect for human rights, offering help on all counts, to almost no avail. More of that kind of positive engagement is not likely to help. Any efforts to improve the relationship will likely be subverted anyway by Egyptian actions to which we will have to respond. The video that surfaced over the weekend showing Egyptian security forces in the Sinai executing prisoners who apparently had been transported in US provided Humvees is a case in point – that kind of incident could require, under the Leahy Law, suspending assistance to forces in the Sinai unless those responsible are punished.

At the same time, I don't think that quid pro quo conditions on assistance are likely to do much good, either, at this point. The Egyptians don't believe we're capable of sticking to our guns for long when we use that weapon.

If there is any chance for fundamental change in Egypt, it's going to come from within. And it's probably going to take a long time. But there are some sensible steps we can take in the meantime.

First, though it may be hard to change the way the Egyptian government treats its own people, we can certainly demand that it change how it treats us. We should have zero tolerance for the mistreatment of American citizens (several more of whom remain unfairly imprisoned), for continued anti-American propaganda in state media, and for the persecution of individuals or NGOs for association with Americans. Call it an America First human rights policy. Swift consequences for such actions would deter them and lead over time to a healthier US-Egyptian relationship.

Second, we should avoid policies and statements that make us complicit in or legitimize the Egyptian government's abuses. This means having a correct relationship with General Sisi, without giving him undue praise or suggesting that his rhetorical commitment to fighting extremism excuses crimes that fuel extremism. It means enforcing the Leahy Law. It means keeping our distance from the Egyptian security agencies responsible for political persecution. I would encourage you, Mr. Chairman, to be especially wary of any proposals to enter into additional intelligence sharing or counter-terrorism partnerships with these agencies; this is an area where Congressional oversight is needed.

Third, we should continue to speak out publicly against human rights abuses in Egypt, ideally in concert with European and other allies. I am confident that the Egyptians care about their international image, and that it matters to them greatly, for example, when we and our allies speak with one voice, for example, at the UN Human Rights Council. Multilateral diplomacy can be effective with Egypt at least on the margins. We should pursue it with greater vigor.

Fourth, we should avoid reinforcing the Egyptian sense that US assistance is an entitlement. The Obama administration ended cash flow financing of military aid to Egypt, and that decision should stand. It makes no sense for US taxpayers to be on the hook for subsidizing Egypt's defense budget years in advance no matter what the Egyptian government does in the interim.

That leaves one final, critical question – what to do with our military aid to Egypt? There are three basic choices here. We could simply return to providing \$1.2 billion a year unconditionally. That would be a dispiriting choice, in my view – we'd just be helping Egypt buy weapons that are ill suited to meet the security threats it faces, while reinforcing its entitlement mentality, and kicking the tough issues down the road once more. Or, we could provide most of the aid package, while continuing to withhold the 15% currently withheld because of human rights abuses. That would send a modest signal of disapproval, but do little good besides.

The third option would be to step back and ask whether our investment in Egypt is appropriate given the value we get from it and the crises and opportunities we face elsewhere. My strong view is that the investment is completely out of balance. Does it really make sense for this government, which does so little for regional security, which consistently rejects our advice, which describes us to its people as a hostile enemy, to receive such a disproportionate share of US military aid?

Again, I'm not arguing here that we use aid as leverage to get something out of Egypt. I'm simply arguing for spending money sensibly. Let's provide assistance tailored to support the Egyptian military's efforts to protect its borders and its people from terrorists – assistance that might enable a true counterinsurgency campaign in the Sinai, for example -- if it is willing to use it wisely. But we should no longer subsidize the purchase of planes and tanks that Egypt wants for showing off at military parades, or for a hypothetical war with one of its neighbors.

And then we should reprogram the bulk of the \$1.2 billion subsidy where we can actually achieve something and where our help is appreciated. Think of what we could do with such a sum. We could make sure every Syrian refugee child can go to school. We could provide democratic Tunisia more of the support it needs to protect itself against returning foreign fighters and to get its economy going again. We could more quickly restore governance to liberated areas of Iraq and Syria. We could do more to help the victims of famine in Yemen. With just the teensiest fraction of that sum, my former bureau at the State Department could do more to help victims of torture and persecution in Egypt and elsewhere; it could make a huge contribution to our North Korea strategy by getting more uncensored information to the North Korean people; it could ensure that everyone in Iran has access to an uncensored internet in time for their presidential elections this year. That's just my list; I'm sure, Mr. Chairman, you could come up with your own.

I think our foreign policy would benefit from a more rational allocation of foreign aid spending. I also think that our relationship with Egypt, over time, would benefit if we could break out of the straightjacket of an outdated policy and stop providing it with support for which virtually no one in the US government can provide a positive justification. Let's try to imagine a policy tailored to our interests and values, and then work over time to put it into place.