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# Managing Change in Egypt

Advancing a New U.S. Policy that Balances Regional Security  
with Support for Egyptian Political and Economic Reforms

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# Introduction and summary

Egypt is in the midst of a series of major political, security, and economic transitions that will unfold for years to come. The 2012 presidential elections set to conclude later this month in a final run-off election mark the end of one period in this transition. But Egypt faces a long road ahead, including drafting a new constitution, setting checks and balances in the new political system, and concluding trials for former leaders in previous governments.

The world's most populous Arab nation could transition into something that resembles Turkey, with a greater voice for Islamist parties and curbs on the previously unchecked power of the security establishment. Or Egypt could transition toward a scenario similar to Pakistan, in which the military and internal security forces continue to hold significant political power and dominate key sectors of the economy. Most likely Egypt will carve out its own path with its transition shaped by multiple centers of power—some that have emerged since the popular uprising in 2011 and others that have existed for decades.

The path Egypt takes will have major implications for the rest of the region. The changes in the formal structures and internal balance of power in Egypt's government, alongside the social and economic transformations Egyptians continue to experience, will be some of the most important strategic dynamics reshaping the Middle East. What happens in Egypt will be as important as the threats and challenges posed by Iran, the re-emergence of Turkey as a regional power, and the continued problems emanating from the unresolved Arab-Israeli conflict.

The changes underway in Egypt could spark its greatest repositioning since the 1970s, when it turned away from the Soviet sphere of influence and toward the United States and signed a peace treaty with Israel. The stakes for U.S. national security are great. How Egypt evolves in the coming years will affect U.S. national security policy in the Middle East on multiple fronts, including:

- Managing regional security and the Arab-Israeli conflict
- Fighting terrorist networks
- Responding to new trends such as political reform and the rise of Islamist parties across the region
- Forging new economic relations with the broader region

Engaging with the new Egyptian government in all these arenas will require the United States to balance and integrate efforts to advance two core objectives—maintaining a close partnership with Egypt in advancing regional security and supporting Egypt’s political and economic transitions toward more effective governance and expanded economic opportunities for its citizens.

The days when the United States could prioritize regional security over support for Egypt’s political and economic transitions are over. Egypt’s political transition remains a volatile work in progress after multiple rounds of parliamentary and presidential elections, with the constitutional reform process representing the next key phase. This political uncertainty has weakened Egypt’s economy, leaving endemic problems of high unemployment, growing public debt, corruption, and increasing pressures on Egypt’s foreign cash reserves—without a coherent economic policy response from the interim government. This domestic economic and political instability could lead to more problems in the security realm. Egypt faces increased crime and civil disorder, as well as heightened security threats, particularly in the increasingly lawless Sinai Peninsula bordering Israel.

These overlapping upheavals require a fundamental reassessment of how the United States manages its bilateral ties with Egypt and implements its overall Middle East strategy. For three decades, the central foundation for U.S. policy on Egypt was military cooperation and the 1979 peace treaty between Egypt and Israel. This now needs to expand.

Over the past year, the United States has worked to broaden its contacts with a more diverse range of actors in Egypt. This must continue. In addition, the United States should initiate a comprehensive U.S. interagency policy review on Egypt. The United States has conducted reviews of key components of its Egypt policy, including key aspects of nonmilitary assistance. But it needs to integrate the efforts of all of its agencies involved in Egypt, including the Pentagon.

The United States should propose a strategic and economic dialogue with the new Egyptian government akin to what the United States has done with countries such

as India and China. This dialogue should aim to cover all key aspects of the bilateral relationship, including security, diplomatic, and economic cooperation. It should be as broad and inclusive as possible—connecting key agencies of our governments, including the U.S. Congress and new Egyptian parliament—and also have nongovernmental and private-sector tracks. This strategic dialogue would offer a mechanism for better structuring the already extensive regular discussions between U.S. and Egyptian officials, and it would seek to buffer the bilateral relationship from tensions and tactical disputes that could lead to a strategic rift and breakdown.

The central questions of what Egypt wants from the United States and what the United States wants from Egypt will remain under negotiation and subject to change, which means a bilateral framework for managing change should be established.

But even before a U.S. internal policy review on Egypt and a strategic dialogue with the new government in Egypt is conducted, the broad contours of a new U.S. policy on Egypt are already apparent and should be acted upon.<sup>1</sup> Given the substantial economic and political reform challenges Egypt faces, the United States should begin to rebalance its overall approach toward support for economic growth in Egypt. This means gradually shifting the current emphasis on military assistance—now at \$1.3 billion a year—toward economic and political assistance—now around \$250 million a year.

Egypt needs to make substantially greater investments in its human capital, and it needs to place a high priority on job creation and economic reforms to spark broad-based economic growth. The new Egyptian government needs U.S. support for this effort now.

As it continues to shift its emphasis towards economic growth and job creation, the United States should make democratic governance reform, anticorruption measures, and support to civil society organizations working for political reform a priority. These efforts are even more complicated now with the ongoing trials of both Egyptian and American nongovernmental organizations, but the United States needs to work with other countries to establish innovative multilateral efforts to support civil society and democracy reform. Support for economic growth should not come at the expense of the important yet complicated efforts of support for political reform.

The United States must also take into account the economic and political impact of support to Egypt's military in a new, comprehensive U.S. approach to Egypt. The strong role that Egypt's security establishment plays in the economy, includ-

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ing the inefficiencies this has created, makes it a critical area for both economic and political reform in Egypt. The security establishment's efforts to shield itself from oversight from the civilian government will have a major impact on the trajectory of political reform.

Going forward through the rest of this decade, the United States should broaden the bilateral partnership with Egypt and maintain security cooperation on regional issues with Egypt while encouraging a fundamental transformation of U.S.-Egyptian relations by creating a more integrated and balanced approach. The two key components include working with other global powers to provide Egypt with necessary economic support and continuing the private and public diplomatic efforts to support political reform in Egypt.

Throughout this process, the United States needs to maintain realistic expectations. The leverage and influence that the United States has on Egypt will become increasingly more limited by several factors, including more assertive and independent political leaders in Egypt, widespread anti-Americanism, and financial and political constraints inside the United States. It will not be able to dictate outcomes in Egypt, but by working with Egyptian partners and other regional and global powers, the United States can help influence trends. This paper offers an initial roadmap to help policymakers navigate these changes in the months and years ahead.

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