



Preparing for a Strategic Shift on U.S. Policy Toward Egypt

Michael Wahid Hanna and Brian Katulis

November 2013

Introduction and summary

The United States has adopted a cautious and often unclear policy in reaction to the past year's tumultuous events in Egypt. This stance is due to the complicated nature of Egypt's ongoing political transition and the shifting nature of regional power dynamics in the Middle East. President Barack Obama and his administration have understood that the key centers of power inside of the country and the regional actors that attempt to support and shape trends in the country are driving the events on the ground.

But the current U.S. posture on Egypt is not sustainable in the long term; it represents a temporary “hold pattern” in a policy approach. Since 2011, this stance has essentially been trapped in the same path of longstanding U.S. policy toward Egypt since the early 1980s. Since the ouster of former Egyptian President Mohamed Morsi, U.S. policy has been caught in self-imposed suspended animation—the slowing of normal policy processes without a complete rupture in ties. The decisions this summer and fall to temporarily delay some forms of military assistance have only forestalled making decisions about the broader relationship.

This U.S. position on Egypt comes at a time of considerable disorder and tension across the region, with a civil war raging in Syria, the unresolved Arab-Israeli conflict, ongoing uncertainty about Iran's nuclear program, and enduring threats from terrorist networks in many countries. The U.S. government shutdown in October and the Obama administration's tentative stance on Egypt have contributed to growing pessimism about the role of the United States in Egypt and the broader region.

Inside Egypt, people of all walks of life continue to experience considerable turmoil and uncertainty. A heavy burden—one that is unlikely to be addressed satisfactorily—rests upon the shoulders of the country's leaders. The government, private sector, civil society, and the media all have a responsibility to create a more inclusive, pluralistic, and stable political transition than the country has experi-

enced since the fall of former President Hosni Mubarak in 2011. This political foundation is necessary to jumpstart economic growth.

The multiple centers of power that have emerged in Egypt since 2011 have competed for institutional and factional advantage and control.¹ The new political disorder is not adequately responding to three interlocking crises that continue to plague Egypt: political polarization characterized by ultra-nationalism on one side—bordering on militarism and xenophobia at times—and deepening rejectionism and denial among the Muslim Brotherhood and their supporters on the other side; economic stagnation driven by poor economic management, which contributes to high unemployment; and insecurity and continued terrorist attacks. These trends have produced an environment that is not beneficial to the Egyptian people and are contributing dramatically to the fraying of the country's social fabric. It has also made Egypt a less reliable partner for the United States and other countries seeking to remain engaged in the region.

The remedy to this situation ultimately must begin with the Egyptian people and their leaders. Even though the United States paused some of its military assistance and several countries in the region, including Saudi Arabia, the United Arab Emirates, or UAE, and Kuwait, have moved in with increased assistance,² these moves will in no way be decisive if Egypt's leaders do not finally seize the opportunity to put an end to internal polarization, continued violence, and economic stagnation.

One of the most troubling features of Egypt's transition since 2011 has been the emptiness of the political debate and the lack of concrete ideas to solve the country's mounting problems. The jockeying for power in the successive phases of Egypt's transition since 2011 is disconnected with the concerns of ordinary Egyptians—particularly the overriding economic concerns. Egypt remains locked in a battle of elites over attempts to redefine the country's national identity and purpose. Meanwhile, governance of the country and provision of services to citizens have deteriorated, reflecting the country's lack of leadership and minimal levels of consensus. Each center of power in Egypt that has emerged with the upper hand at various phases of the political transition has overreached. Without clearer leadership that fosters more inclusive politics and straightforward answers to the country's economic, security, and social problems, Egypt will continue to drift without a coherent national consensus of how to produce a governing agenda.

In the United States, the policy debate on Egypt is often unfortunately reduced to a choice between continuing longstanding U.S. policies unchanged or abruptly cutting aid to Cairo altogether.³ The Obama administration split the difference between these polar opposites with unclear results. This move has delivered an opaque message to Egypt and the region. The current U.S. posture seems to give tacit assent to Egypt's military-led transitional authorities' current attempt to impose stability through a combination of repression with limited gestures at inclusiveness. This model does not seem sustainable; stability imposed by repression cannot be assured and may not be conducive in supporting Egyptian interests—or, for that matter, those of the United States—in the long run. It is not likely to produce the sort of sustainable security that helps spark economic growth and jobs, which is the ultimate challenge in a country where massive demographic, economic, and social problems are mounting.

The strategic rationale and context for U.S.-Egyptian bilateral ties have fundamentally changed. For decades since the peace treaty between Israel and Egypt, the United States and Egypt worked together to advance regional security interests. During the last decade of the Cold War, Egypt was one partner in the broader U.S. effort to contain and check Soviet influence. Three decades later, the situation has completely changed; the Soviet Union no longer exists, and the Middle East has become a region filled with intense competition for influence among countries in the region with wealthier and better organized countries seeking to influence outcomes of political battles in more divided countries with less resources. This new strategic environment lends itself to policies that are muddled and lacking in clarity—which the U.S. policy has exhibited to date. This approach may be pragmatic in the short run, but it is ultimately damaging to U.S. influence, interests, and values. The changed strategic context requires the United States to develop a new policy approach.

Since 2011, the United States has stumbled through with tactical adjustments in policy, which has not advanced U.S. interests and values. Since Morsi's ouster, the Obama administration has signaled its disapproval with the political transition and the lack of a clear governing plan and, most importantly, with the trajectory of events and the heavy-handed repression following Morsi's removal by cutting some forms of U.S. military assistance and cooperation. This mildly coercive and punitive approach has achieved few tangible results and sent a confused message to Egypt and the region.

The events of the past two and a half years make it clear that autopilot will not achieve U.S. policy objectives for a stable, prosperous, and free Egypt. U.S. policymakers should take this opportunity to evaluate and prepare two major options: a much larger and more positive incentive track and a more serious coercive track. Policymakers should also seek to make U.S. policy more flexible and able to respond to future contingencies.

Plan 1: Offer a new bilateral partnership with positive incentives

The United States should make it clear that it is willing to progressively reengage Egypt if the country moves toward more effective governance, including democratic political pluralism, and develops an economic plan that could create inclusive growth and jobs. The United States has currently made clear what its core priorities are in Egypt: fighting terrorist networks and advancing regional security interests, including maintaining the peace treaty with Israel.

If Egypt takes serious steps to build a more inclusive and stable foundation, then the United States should work with European partners and others in the region to present a new offer for reengagement. The United States should seek to expand the foundations for the relationship by offering more meaningful cooperation with Egypt than it has since 2011. This new partnership would have three key components.

Expand economic ties aimed at boosting economic growth and integrating Egypt into the global economy

This means offering the potential of an even larger incentive package for boosting economic growth in Egypt than was previously presented in the G-8 Deauville Partnership and the corresponding Middle East and North Africa Transition Fund. Over the past decade, the United States has made announcements of a range of initiatives aimed at expanding economic ties, investment, and trade, but the follow through and implementation has lagged. If Egypt's leaders produce a viable plan for a more cohesive political system and a clearer economic plan, then the United States should use Egypt as a test case for expanded tools in cooperation with other countries, international agencies, and financial institutions to spark economic growth and job creation in Egypt. It could offer the possibility of a positive incentive in the form of expanded trade, perhaps even in the future con-

text of the current discussion on creating the Transatlantic Free Trade Agreement between the United States and European Union. It could also entail new efforts to build commercial ties, expanded educational exchanges, and a new bilateral arrangement on wheat exports.

Focus diplomatic efforts on countries already making major investments in Egypt's transition

Given the increased activity and engagement of actors in the region—notably, the investments made by Saudi Arabia, the UAE, and Kuwait—the United States should work to make sure these efforts are coordinated to the longer-term purpose of building a new foundation for Egypt to succeed in its political transition and craft a new economic plan. This will require difficult diplomacy; many regional actors do not recognize the dangers of the polarized politics in Egypt, and in the current regional environment, some of these countries are operating at cross purposes with U.S. policy on other key priorities, such as Syria, Iran, and the Arab-Israeli conflict. The lack of national consensus in Egypt's politics will likely make it difficult for the government to implement necessary economic reforms that reduce debt and reform subsidies.

Reform U.S. security assistance to Egypt

The United States is currently holding the delivery of many weapons systems. If Egypt moves in the right direction on political and economic reforms, the United States should use this current pause as an opportunity to reopen the dialogue about fundamentally reforming U.S.-Egypt security cooperation to move beyond the limited focus on supplying sophisticated military hardware and toward more emphasis on fundamental security sector reforms, including police reforms to advance the rule of law. Depending on future appropriations, a focus on security sector reform might require some rebalancing of foreign military financing, or FME, and authorization to shift a portion of funding into police development and training programs.

Plan 2: Prepare for the worst contingencies

Given the political polarization inside Egypt, outlining a more positive set of incentives for change may not succeed. If Egypt remains mired in internal conflict

and unable to produce a plan for governing and growing the economy, the United States needs to be prepared to fundamentally rewrite its regional security strategy to account for a less reliable partner in Egypt. This might entail cutting the large assistance package entirely and exploring other partnerships in the region and options for maintaining America's regional security footprint without some of the current benefits of expedited overflight approvals and access to the Suez Canal.

Alternative contingency planning should also factor in the potential for partial progress toward transitional goals. This could entail the continued suspension of portions of the security assistance program while other items, such as counterterrorism and border security assistance, might continue along with targeted forms of economic assistance. Such alternative planning would also be an appropriate reflection of the fact that progress toward democratization will be incremental and time consuming. Egypt is not—and has not been—on the brink of consolidating a democratization process. While no near-term process can be realistically expected to be fully inclusive, incremental progress is certainly possible. As opposed to foreclosing any future possibility of democratization, the key for the near term is to take concrete steps that restore a democratizing and inclusive process.

As part of a contingency planning process, the United States should also undertake a thorough review of the core objectives of the security assistance program and its relationship to democratization.

Clearly, the first plan is preferable to the alternative of downgrading ties with Egypt. The United States could continue to avoid a strategic shift in its policy described above and seek instead to muddle through in reaction to events in the coming year in Egypt, but this approach has not served to advance U.S. interests and values.

The Center for American Progress is a nonpartisan research and educational institute dedicated to promoting a strong, just, and free America that ensures opportunity for all. We believe that Americans are bound together by a common commitment to these values and we aspire to ensure that our national policies reflect these values. We work to find progressive and pragmatic solutions to significant domestic and international problems and develop policy proposals that foster a government that is “of the people, by the people, and for the people.”

Center for American Progress

