



New Anchors for U.S.-Egypt Relations

Looking to the Future and Learning
from the Past 4 Years After Egypt's Revolution

By Brian Katulis and Mokhtar Awad

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Center for American Progress



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Introduction and summary

In the past year, the fight against the Islamic State of Iraq and Al-Sham, or ISIS, and the nuclear negotiations with Iran have dominated U.S. policy toward the Middle East. But Egypt, as the most populous Arab country, remains a central test in the broader battle to achieve stability and progress in the region. Four years after the start of the Arab uprisings, Egypt continues to face many of the same challenges that sparked the initial protests.

The United States and Egypt should try to work together to build a set of new anchors for progress and stability at this turbulent time of transition in the Middle East. 2015 offers potential opportunities, but it will require Egypt and the United States to learn some lessons from the past four years and to look to the future. The two countries need to move beyond the old way of doing business—a heavy focus on conventional military cooperation—and look to a future where the bilateral relationship includes expanded economic cooperation and a new, more constructive diplomatic and political dialogue.

Doing so will be difficult for the United States absent a major course correction by the new Egyptian government on its political transition. Efforts to enhance cooperation between the two countries will likely remain limited, and relations are likely to be strained as long as Egypt continues down its current path of restrictions on basic freedoms and political pluralism. Given the uncertainty of the moment, the United States should prepare for a wide range of possible scenarios emerging in Egypt in the next year. But it should make a determined effort to work with Egypt to build new anchors for the relationship over the next four years.

Egypt remains in the midst of unfinished political and economic transitions. Multiple waves of protests, leadership changes, and crackdowns have traumatized Egyptians. The overall political climate in Egypt is a complicated mix of anxiety, tension, exhaustion, and hope that the country will achieve more progress in the next four years than it did in the past four.

If Egypt can build a foothold of stability and achieve economic and political progress, it has the potential to offer immense resources to the cause of regional and global stability. But the only way for Egypt to achieve long-term, sustainable security is by updating its security and economic sectors and ushering in a competitive political environment where basic liberties are protected.

In the past year-and-a-half, many Egyptians' overriding focus has been security—both basic law and order and economic stability. Ongoing violence in Egypt's Sinai Peninsula, Libya's fragmentation to the west, and Syria's ongoing bloody civil war are seen as vivid examples to avoid. The rise of ISIS and the growth of extremist groups across the region have had an enormous impact on threat perceptions inside Egypt. Next to security, Egypt's daunting economic troubles are a top priority; there is a dire need to produce economic growth and create jobs.

While President Abdel Fattah al-Sisi¹ appears to enjoy broad political support from an exhausted population, important segments of Egyptian society have grave concerns about constraints on basic freedoms and the closure of political space. How Sisi governs and handles his country's momentous challenges will redefine what Egypt stands for as a country and its role in the region. Since the start of the 21st century, Egypt has seen its regional influence wane, held back by the sheer weight of its internal challenges and mismanagement of national assets.

The past four years have taken a serious toll on U.S.-Egypt ties. The Egyptian view of the United States is perhaps the worst it has been in recent history. Many Egyptians think the United States backed the Muslim Brotherhood, or MB, when it was in power, and others believe the United States helped support former President Mohamed Morsi's removal to stamp out Islamists. There are widespread conspiracy theories that embrace the notion that the United States wants to undermine and weaken Egypt.

In the United States, top policymakers increasingly speak of Egypt as a problem to be managed, their attention focused on avoiding the worst-case outcomes of state collapse. Today, the United States looks less to Egypt and more to countries such as Jordan and the United Arab Emirates for regional security cooperation efforts such as the anti-ISIS coalition. Moreover, the central strategic rationale for U.S.-Egyptian ties for the past 35 years—the role of the United States as guarantor of peace between Egypt and Israel—seems to have been undercut. Israeli and Egyptian leaders now tout that their bilateral relations are stronger with each other than with the United States, sending the message that Egypt upholds the peace treaty with Israel out of national self-interest, not because of U.S. assistance.²

At the government level, Egypt's current leaders say that they are confused by U.S. policy, which continues to hold back delivery of some weapons systems because of America's concerns about Egypt's political transition and human rights record.³ The Egyptian government argues that its actions against the MB and other Islamist groups are part of Egypt's fight against the same terrorists the U.S.-led coalition against ISIS is fighting.⁴

The continued rift between Egypt and the United States has motivated Sisi to seek to diversify Egypt's foreign support.⁵ Egypt remains in dire need of external assistance. It has received more financial support from Gulf Cooperation Council, or GCC, countries in the past year than it received from the United States over the past decade—at least \$20 billion from Gulf partners in the past year-and-a-half compared with the less than \$1.5 billion per year from the United States, or nearly \$15 billion in the past decade. Sisi has traveled to parts of Africa and to Europe, Russia, and China during his first seven months in office in an effort to boost support and strengthen ties.

Yet Egypt and the United States continue to share common, long-term interests in stability and economic prosperity. To build new anchors for the relationship, Washington and Cairo should use the upcoming strategic dialogue planned for this year⁶ to foster more constructive conversations and to look to build a new framework for bilateral relations by 2020. The countries should seek to develop forward-looking joint approaches on three fronts:

1. Security: comprehensive security-sector modernization to meet new threats.

The evolving threat from militant terrorist groups challenging state sovereignty requires Egypt to update its overall security approach. Acknowledging that current U.S.-Egypt security cooperation was built in a different era, the two countries should use the proposed strategic dialogue to outline a program for security cooperation tailored to meet today's threats. In these future strategic dialogues, the United States should offer the prospect of delivering security assistance currently being held back, as well as the restart of joint military exercises contingent upon opening a dialogue on substantial reforms to Egypt's security institutions.

2. **Countering violent extremism: an open dialogue about pluralism and political reform.** Egypt's government has justified restrictions on basic freedoms and closing off political space in its anti-terrorism battle, but guaranteeing these basic liberties is needed to ensure political stability and the ultimate political defeat of extremists. Egypt needs a more sustainable political environment to implement massive economic reforms, and it requires an environment that allows political actors to mature and a new spectrum of voices to emerge that denies space for extremist ideologies to thrive. The limited efforts of the Obama administration to influence Egypt's political trajectory by holding back some types of assistance have not succeeded. But these issues are important to discuss, as sensitive as they are. The United States and Egypt should seek to expand people-to-people contact, educational exchanges, and more honest discussions on the need for pluralism, countering extremism, and political reform due to these issues' impact on Egypt's overall stability and the health of the bilateral relationship.

3. **Economy: organized international and multilateral support for Egypt's economic reform.** Egypt and the United States should work together and in closer collaboration with regional powers in the Gulf to reform Egypt's economy to spark inclusive growth and to create jobs, breaking the cycle of foreign-aid dependency and crony capitalism of the past decades. The United States has already gradually begun to reduce its economic assistance to Egypt, and as it continues this shift, it should look to other avenues, including the private sector, to help strengthen economic ties with Egypt.

This report is based on the Center for American Progress' ongoing analysis of regional trends and a trip to Egypt in late October 2014 that included interviews with more than three dozen Egyptian government officials, politicians, economists, businessmen, religious leaders, civil society activists, journalists, and independent analysts.

New security challenges and the need for comprehensive security-sector reform

Egypt remains fertile territory for Islamist terrorist networks. The center of gravity in the regional and global battles with extremists remains in Syria, Iraq, Yemen, and Libya. But Egypt's large population, geographic location, and historical role as an incubator of radical Islamist groups mean that it is an important front in the effort to counter violent extremists. The key lesson from Egypt's past four years of instability is that the situation requires comprehensive security-sector reform—specifically, the police—coordinated with key economic, political, and justice-sector reforms to advance sustainable security and to counter the appeal of extremist groups.

Instability on Egypt's periphery

One of the greatest challenges facing Egypt is the rise of militant terrorist threats challenging state sovereignty. Egypt is surrounded by havens of instability on its borders and outside its main urban areas.

To Egypt's west, the chaos inside Libya is a major potential source of instability. As conflict in Libya continues following the ouster of former Libyan leader Muammar el-Qaddafi, Egypt's western frontier has become more dangerous.⁷ In response to the deteriorating security conditions, Egypt allegedly cooperated with an air campaign by the United Arab Emirates against Islamist groups in Libya in 2014.⁸

In eastern Egypt, violence in the Sinai Peninsula has grown over the past decade. Since the early 2000s, a brewing jihadist insurgency in the Sinai has increased in sophistication and lethality. The deadliest of these Sinai-based jihadist groups is Ansar Bayt al-Maqdis, or ABM, which is now the Egyptian chapter of the Islamic State of Iraq and Al-Sham under the name of Wilayat Sinai, or Sinai Province.

Sinai jihadists primarily target Egyptian security forces and sometimes engage in cross-border attacks against Israel. Hamas, the Palestinian Islamist group, controls the Gaza Strip and plays a role in destabilizing the region due to the smuggling of

fighters and weapons, according to Egyptian security officials.⁹ In recent months, Egypt has moved to create a buffer zone in the town of Rafah, which has quickly escalated to razing the town and relocating families that lived there.¹⁰

Violence in the Sinai Peninsula continues. President Sisi blamed what he called “external forces” for a major attack in fall 2014 that killed more than 30 soldiers.¹¹ In interviews with Egyptian security officials, some directly blamed Palestinian groups, and one even accused Israel—along with Qatar and Turkey—of involvement in Sinai terrorist attacks.¹² Security officials also blamed the previous government headed by President Morsi for the situation.¹³

Threats in Egypt’s heartland

Outside of the Sinai Peninsula and closer to major population centers, Islamist youth—galvanized by the ongoing crackdown against the Muslim Brotherhood that has resulted in more than 1,000 deaths, an estimated 40,000 detained, and the systemic use of police torture¹⁴—have engaged in increasingly violent so-called revenge attacks, blocking roads, burning police cars, and planting rudimentary improvised explosive devices.¹⁵ These types of actors, however, are still largely inchoate; some do not even have names. For instance, youth mainly from working-class areas in Cairo and Giza operate under the name of the Popular Resistance Movement, with local chapters that target police officers and infrastructure such as electricity transmission towers and subway cars.¹⁶ A more lethal homegrown jihadist group by the name of Ajnad Misr emerged last year and has carried out increasingly lethal attacks against the police;¹⁷ the U.S. Department of State recently designated Ajnad Misr as a foreign terrorist organization.¹⁸ Such groups represent a set of challenges that differ from the globally linked and experienced jihadists of ABM operating in the remote Sinai Peninsula and therefore require different capacities and strategies from Egypt’s security services.

Limitations of Egypt’s terror threat analysis

In interviews with several Egyptian security officials, the main tendency was to combine terrorist groups as “Islamists” without offering details on how they were linked together. One official indicated that the facts themselves did not matter as much as what he “believes and knows is right.”¹⁹ This perspective presents a possible weakness in collecting and analyzing the concrete information necessary to accurately target operations, pinpoint actual threats, and isolate violent extremists.

Among Egyptian officials, there is a widespread perception that they are victims of conspiracies to undermine them, with veiled references to U.S. involvement due to the administration's delay of some military aid. One Egyptian security official underscored the gap between Egypt and the United States on the issue of terrorism, rhetorically asking, "Who is terrorism? We say that the Muslim Brotherhood is terrorism, [and] you [America] say it is ISIS."²⁰

Heavy dependence on the military and deficiencies in the police and justice systems

The Egyptian government is heavily dependent on conventional military forces and a force structure built in the 20th century to respond to 21st century threats. At times, the police and justice systems struggle to effectively combat terrorism and to keep the peace. Over the past few years, incidents in areas such as Port Said,²¹ Minya,²² and Aswan²³ have demonstrated the government's shaky grip on key parts of the country. Law and order in Egypt is Sisi's top priority, and it is indeed an essential building block for political and economic stability. But it is unlikely to be achieved without substantial reforms in the security institutions and the linking of those reforms to increased capacity of the justice sector.

Political stability requires advancing pluralism and freedom

In holding parliamentary elections this spring, Egypt will reach the final electoral milestone on the political road map outlined in summer 2013 after President Morsi's ouster.²⁴ A key lesson from the past four years is that the quality and nature of political liberties are as important as reaching markers such as election timelines, so the procedure of the elections alone should not serve as evidence of political stability.

Egypt's uneven political trajectory from 2011 to 2014

The multiple political transitions since 2011 produced a polarized debate that raised sensitive questions about Egypt's identity. This polarization is partly why the struggle between Islamists and nationalists opposed to political Islam is now viewed as existential.

The popular protests of 2011 led to a disorganized and uneven political transition, including three constitutional referendums, two presidential elections, and two parliamentary elections—which include the upcoming election this spring—all in just a little more than four years. In this dizzying stream of events, multiple centers of power emerged within Egypt, both within government institutions and in the broader political arena. The Islamists, for instance, overplayed their hand and did not take sufficient steps to rule inclusively or effectively, unleashing resentment and pushback from power centers such as the judiciary and the police.

Today's political environment

At the moment, President Sisi stands as Egypt's strongman, backed by the Egyptian Armed Forces and a majority of Egyptians who see him as the only capable leader following his removal of Morsi. Until the new parliament is sworn in this spring, Sisi enjoys the full powers of the executive branch and the legislature.

Nonetheless, Egypt's political environment remains brittle and constrained by restrictions imposed by authorities, the exclusion of a number of political forces that enjoy a measure of support, and the vague nature of political-party programs poised to contest the upcoming parliamentary elections. In interviews with CAP, Egyptian politicians, intellectuals, and business leaders supportive of Sisi expressed their skepticism of the current political trajectory shaped by the authoritarian and heavily restricted environment.

Since Morsi's ouster in 2013, the ruling authorities in Egypt have enacted a series of decrees that imposed new boundaries on the basic freedoms of speech and assembly, including the Protest Law—a demand to nongovernmental organizations to register under a restrictive 2002 law—and a draft terrorism law that punishes foreign financing deemed harmful to “national interest” with life in prison, which a number of rights groups fear may be used against them.²⁵ These measures have had a chilling effect on basic political freedoms, and as a result, a culture of fear and self-censorship has emerged.

A more assertive police force has cracked down on dissent and used force against student protesters.²⁶ For civil society activists and journalists, any criticism of the new regime has been met with harassment and arbitrary detention. In multiple interviews, Egyptian politicians and activists expressed concerns that the restrictions established during the past year may be more stringent than those in the era of former President Hosni Mubarak. The squashing of the very civil society voices who opposed and criticized the Muslim Brotherhood may be undermining one of the most important assets that Egypt has to ideologically and politically counter extremist Islamists.

Egypt's governing authorities appear to be setting the contours of what will be defined as “acceptable” in politics. New rules are being established for the political order, sometimes explicitly and sometimes implicitly. Some have called this process the “de-politicization” of Egypt;²⁷ others have called it “reconfigured authoritarianism.”²⁸ Several politicians and intellectuals interviewed who are sympathetic to the current regime warned that Sisi could face the fate of his predecessors if he continues down his current path.

Political positioning in advance of parliamentary elections

In fall 2014, even before a date was set for parliamentary elections, political parties began to negotiate electoral lists and to discuss the formation of political alliances. The basis for negotiations lacks much policy substance and is instead centered on personalities and the relationships between individual leaders.

It is not certain what the future holds for political-party life in Egypt. A leader of a political party supportive of the current regime cynically admitted that, “[Sisi] knows that political parties are not representing anything in the country. They are scattered, weak, and not influential.”²⁹ Meanwhile, an Egyptian university professor observed, “The political parties are completely outside the current political equation. They try to operate in the gaps and margins.”³⁰

The Egyptian Parliament is perhaps the only avenue for these civilians to pursue influence, and its makeup would—in the words of a liberal politician—“filter out” the weak political forces.³¹ Egypt’s parliamentary elections law establishes a “dual-majoritarian system”³² in which the 567 seats will be divided between about 74 percent of, or 420, candidates elected in 237 majoritarian districts; about 21 percent of, or 120, candidates elected through absolute closed party lists across four nationwide districts; and the remaining 5 percent of, or 27, candidates elected through presidential appointees.³³ Quotas ensure that “at least 56 should be held by women, 24 Coptic Christians, 16 farmers and workers, 16 youth, eight people with special needs, and eight by Egyptian expats.”³⁴

Most analysts expect these elections to result in a fragmented political landscape, with independent candidates who lack any formal affiliation with a political party winning most seats and the rest of the seats split among the various political parties that exist. This month, Sisi called for political parties to “unify in one slate,” but it is unclear how such a unified slate would allow sufficient space for debate between the diversity of opinions that exists in today’s Egypt.³⁵

Political Islamists move to the fringe of the current political debate

The MB appears defeated and delegitimized in the view of many Egyptians. It was banned and declared a terrorist organization following Morsi’s ouster.³⁶ The movement’s leadership is scattered and is attempting to organize as the opposition in Turkey, launching media channels and declaring a parliament in exile.³⁷ In the process, the lack of reasonable and cohesive MB leadership has meant that many of its members and sympathizers now support or engage in violence against the state,³⁸

even as the organization officially continues to sanction “innovative nonviolence.” According to some Islamist activists, this translates to “cutting off roads, burning government buildings, and exhausting the regime economically and politically.”³⁹

The Salafi Nour Party, the ultraconservative Islamist party, is apprehensive of what is in store for it in Sisi’s Egypt but remains defiant after suffering a heavy hit in popularity with its Salafist base due to its support of Sisi. Former MB allies in the MB-splinter Wasat and Salafi Watan parties broke off from the MB-dominated anti-coup alliance, largely due to fears that they may be held responsible for the rudderless trajectory of MB decisions. These anti-government Islamists have distanced themselves from efforts to topple the Egyptian government, and in interviews with CAP, they expressed their belief that taking such a stance has spared their remaining members from being targeted by authorities.

However, the radicalization of Islamist youth seems to be continuing unchecked as these groups’ political leaders fail to deliver on promises of toppling the regime. The leaders of the Wasat and the Salafi Watan parties note that angry youth have lost faith in nonviolence.⁴⁰ A Watan leader warned that the situation in Egypt could turn worse than that of Syria or Iraq if the current situation continues. He added, “The [Islamist] youth are between a rock and a hard place, [and the choices are] either go violent or emigrate. There is no other alternative.”⁴¹

Generational economic challenges require complete economic overhaul

Egypt needs to make a fundamental shift away from decades of donor dependency and inefficient state welfare toward having an economy that produces greater value for its citizens and the world. A key lesson from the past four years of Egypt's transition is that the country requires comprehensive economic reform in order to produce the economic growth and jobs necessary to sustain a population with a large "youth bulge," with 15- to 29-year-olds constituting at least one-quarter of the population.⁴²

An international economic conference⁴³ to encourage investment and support for Egypt scheduled for this coming March offers an opportunity to organize international support for Egypt's economic reforms—but to succeed, it requires substantial political will on the part of Egypt's leaders. The major economic reforms required to help Egypt transform its overall economic system are considerable and involve measures that are politically sensitive; there is a close link between the political and economic reform processes. Some Egyptian leaders expressed concerns about the current trajectory of the closed and restrictive politics and whether they were synchronized with the expansionist economic reforms President Sisi envisions. One former official said, "I am not convinced that you can have an economic breakthrough without political progress."⁴⁴

Encouraging first steps toward economic reform

Many in Egypt gave credit to Sisi for taking the first steps in energy and food subsidy reform efforts, which helped cut the budget deficit for this fiscal year.⁴⁵ In addition, the government has also taken steps to generate revenue, such as the establishment of a tax on capital gains and dividends, a tax on individual and corporate income earned abroad, amendments to the real estate tax, and a temporary three-year tax on individual and corporate incomes that exceed roughly \$140,000.⁴⁶

Sisi's government has thus far pledged major projects similar to the vision set out during his campaign, such as a multibillion-dollar national road network project to repair existing roads and build at least 3,200 kilometers of new roads, as well as the New Suez Canal development corridor.⁴⁷ The International Monetary Fund, or IMF, points to the \$8.5 billion in Suez Canal investment certificates collected in the span of days—with many contributions from citizens enticed by the high interest-return rates—saying that it “shows renewed domestic confidence in economic prospects.”⁴⁸

Gulf countries, including the United Arab Emirates and Saudi Arabia, have provided more than \$20 billion in massive injections of short-term, stopgap financial and energy assistance.⁴⁹ These actions have bought some time for needed overall economic restructuring and fiscal reforms to be implemented. But like the United States, these Gulf countries do not appear to have gained much leverage to influence Egypt's decision making as of yet.

Long road of reform ahead

Some of the additional major steps ahead to achieve economic stability include comprehensive energy reform, public-sector reform, anti-corruption efforts, and the creation of a more business-friendly environment. Despite the substantial decline in global oil and gas prices, Egypt faces daunting long-term challenges in securing the energy resources needed for growth. The public-sector bureaucracy remains bloated, a hangover legacy of the Gamal Abdel Nasser era of socialism from the 1950s through the 1960s. The Egyptian government will need to take major steps to revamp investment laws, revise the tax code, and eliminate bureaucratic red tape, as investors hope for upcoming amendments to the nation's investment law. In the coming year, the Egyptian government will focus on economic development and investment by holding major conferences and hosting international business delegations.⁵⁰

Some informed observers, however, worry that Sisi is currently trying to please multiple constituencies at the same time and, as a consequence, is creating a lack of coherence in the trajectory of the overall economic reform plans. Due to sheer unavoidable budgetary pressure, the government has been forced to continue economic liberalization and fiscal austerity in some sectors, while at the same time promising—for political reasons—to increase welfare in areas such as social security. According to a former official, “The numbers simply don't add up. ... There is a target for [the] deficit to be 10 percent of [gross domestic product], yet the government continues to take on more liabilities [to finance projects and welfare].”⁵¹

New anchors for U.S.-Egypt relations

In 2015, leaders in both countries should attempt to establish a comprehensive, coordinated effort to build a more sustainable foundation for bilateral ties—an effort that positions both countries to successfully meet the challenges of the 21st century and to incorporate the lessons learned from the past four years. The United States and Egypt should try to build on the central framework of maintaining the peace treaty with Israel and expand it to include a broader paradigm for the bilateral relationship.

The national security waiver passed by Congress in December 2014⁵² will provide the Obama administration the flexibility it needs for the possible release of military aid, but U.S. interests will be best served if military assistance is contingent upon Egypt implementing the necessary security-sector reforms and the modernization of its counterterrorism approach detailed in this report. These measures will help keep in check the immediate short-term security threats.

But a wider reconfiguration in the relationship can only take place if serious corrective steps are made to improve Egypt's human rights record, including releasing journalists and civil society activists from custody. The closing of political space and the crackdown on any dissent are a recipe for instability.

As one part of its overall strategy to engage Egypt in a new way, Washington should continue to focus on the quality of political life, including the independence of the new parliament. These will be more effective metrics for progress in Egypt's political transition than simply the holding of elections.

Three key mechanisms can be useful in building new anchors for U.S.-Egypt relations:

1. **A new strategic dialogue between the two governments.** Egypt and the United States have been discussing a possible strategic dialogue for 2015, and this could be a useful mechanism for building new anchors for U.S.-Egypt relations.

2. **Expanded contacts between citizens.** It is equally important for Egypt and the United States to seek ways to expand contacts to include various sectors of their societies. The countries can do a great deal more to connect their societies through universities, business associations, and civil society groups. For example, President Barack Obama could ask that the new leaders of Congress designate representatives and senators to form a group to engage with key leaders in Egypt's next parliament. In addition, universities and research institutes in Egypt and the United States should work on cooperative projects to discuss the countries' future relations.

In addition to expanded people-to-people contacts, Egyptian leaders should work to change the tenor of public debate surrounding U.S.-Egypt ties. Egypt's leaders have an important role in shaping a more positive perception of the United States and Americans. It is counterproductive when some Egyptian leaders attack the United States and accuse it of working to destabilize Egypt's government.

3. **Increased multilateral efforts to support Egypt.** The conversation about strengthening relationships should not end with a bilateral strategic dialogue but should instead be broadened to include a multilateral component. As Egypt diversifies its sources of external support, the United States should welcome the involvement of other countries in this conversation. Egypt already has sought the support of other countries, and the United States should recognize this and use its comparative advantages on the military and economic fronts to help Egypt stand on its own. The upcoming international economic conference to support Egypt offers a possible opportunity to create a new international forum, such as a standing "Friends of Egypt" group, to offer support to Egypt in its economic, political, and security transitions.

Three new anchors for the relationship

1. **Comprehensive security-sector modernization to meet new threats.** The need for a major review of Washington's Foreign Military Financing, or FMF, program with Egypt is long overdue and especially prudent now that the Islamic State of Iraq and Al-Sham is operating in Egypt. In the coming decades, Egypt will likely face an expanding Islamist insurgency, and U.S.-Egypt security cooperation should be redesigned with this reality in mind. Egypt will continue to dedicate a portion of the FMF funds to service M1A1 tanks

and other weapons in its arsenal, but the remainder of the funding should be applied toward weapons systems best suited to counter asymmetrical warfare. Egypt has a need for stronger intelligence, surveillance, and reconnaissance, or ISR; border controls; and better policing.

The unique nature of the regional terrorist threat also calls for exploring new ways to help shore up the capacity of Egypt's security services and ensure that they have the necessary equipment. FMF reform may not take place quickly enough, or unforeseen future circumstances may trigger major cuts to the program. Countries in the Gulf, such as the United Arab Emirates, own advanced weapons systems that can help bolster Egypt's counterterrorism and ISR capacities; these can be acquired independently with Gulf financing. Although Egypt has reportedly sealed a \$3.5 billion arms deal with Russia⁵³ and is looking toward greater military sales from China⁵⁴ to acquire missile systems and other big-ticket items denied by Washington, such a scheme is likely unsustainable in the long run due to high costs.

There is a central role for the United States to play in intelligence cooperation with the Egyptian General Intelligence Directorate, or GID, and new avenues should also be explored to directly engage Egypt's Ministry of Interior and its domestic intelligence arm to provide training and/or the sale of equipment on both the policing and domestic counterterrorism fronts. These institutions are critical for stability and are key to denying space for insurgents. Egypt's Ministry of Interior, for instance, recently requested "the most recent counterterrorism technologies on the internet ... [and] sophisticated intelligence sharing [with the United States] that is fast and honest."⁵⁵ However, absent evidence of structural reform or greater transparency, sharing these technologies has the risk of misuse. The more assertive role of the Ministry of Interior and the GID also means that the United States should enhance its engagement and cooperation with these important actors. However, steps toward greater security-sector reform should be a necessary precondition for increased U.S. cooperation on these fronts.

At this point, Egypt does not have much to offer militarily in the fight against groups such as ISIS, due to a limited strike capacity. However, one area for potential bilateral cooperation between the United States and Egypt is joint counterterrorism efforts aimed at more effectively analyzing threats and dealing with the root causes of radicalization inside Egypt. This is to make sure that Egypt does not become a source of more ISIS recruits—and that ISIS does not have a chance to further expand its operations there. Egypt needs to develop stronger analytical tools in order to advance more effective strategies to

close off the openings for radicalization and extremism. Egypt may be making unforced errors in how it pursues these threats, and any missteps will have an impact on the U.S. broader regional effort to combat ISIS and Al Qaeda.

- 2. An open dialogue about pluralism and political reform.** It remains to be seen whether President Sisi's governing style can change and lead to a stable consolidation of power that is viewed as legitimate and capable of tackling the country's long list of problems, including daunting security and economic challenges. If the Sisi government continues down the path of closing off political space and failing to respect basic freedoms, the United States and other countries will find it difficult to maintain positive ties, let alone build a new foundation for relations with Egypt. But Washington and Cairo must find an avenue to constructively discuss these concerns in a manner that does not contribute to further diplomatic friction or erosion of trust between governments.

Shortly after the parliamentary elections this spring, the United States and Egypt should restart their strategic dialogue, and that conversation should include working discussions concerning the issues of pluralism, political reform, and countering violent extremism.

Constructive cooperation with Egypt may very well lead to progress on a regional Countering Violent Extremism or CVE, campaign primarily focused on a counternarrative to extremist ideologies.

- 3. Organized international and multilateral support for Egypt's economic reform.** Egypt should strive to become an engine for economic growth that creates jobs and provides a return on investment that is attractive to U.S. companies and links Egypt more closely to the global economy. The current U.S. economic assistance effort has little if any impact that is felt and seen by Egyptians. The current level of assistance is spread too thinly across too many portfolios and is a fraction of what other countries provide. A new U.S.-Egypt partnership could center on trade, investment, and mechanisms for connecting Egypt with the broader Middle East, Europe, and the United States in trade and commerce.

The only way for Egypt to create the jobs to employ its next generation is to open itself to greater integration with the global economy, trade, and foreign direct investment. These steps toward integration are not likely to happen without wholesale reform of the country's political economy and how the economy is managed. The United States can help in that transition, which will in part require it to take a hard look at the current assistance programs and align them with policy focused on enhancing and integrating Egypt's economy.

In the current environment, a country such as Egypt is perhaps more in need of greater expertise than dollars. Providing technical expertise and advice to the Egyptian government would be an arduous but greatly beneficial task, assuming that the Egyptian government cooperates. A former Egyptian official said what Egypt needs most is help figuring out the contours of its economic reform vision.⁵⁶ There are indications that if it is offered, the Egyptian government might respond to greater technical assistance to address the bureaucratic disorganization and ineptitude undermining progress. Inefficiency, waste, and corruption contribute to Egypt's political and economic dysfunction. The transfer of American know-how and management practices can enhance the ability of the United States to forge strong relations in different facets of the Egyptian civilian bureaucracy.

Conclusion

At the start of 2015, Egypt seems to have achieved a tenuous foothold on stability. But the conditions that led to the initial revolution in 2011 remain present, highlighting the fragility of Egypt's situation. In the worst-case scenario, Egypt could head toward greater internal violence with growing threats from terrorist networks, and the economy could fail.

The United States must, of course, be prepared for the worst-case scenario, but formulating plans for such a contingency should not be its primary focus; Egypt is simply too important to be left to drift on its own. Strong U.S. and allied engagement is needed to ensure that extreme scenarios do not come to pass.

The best-case scenario is that the current trajectory in Egypt leads to a more secure situation, and the political and economic reform process moves forward in a way that enhances political legitimacy and enables the economy to grow. In this scenario, it is easier to imagine the United States moving toward building a new foundation for the bilateral relationship. But Egypt needs to work with the United States to make this a reality.

About the authors

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Endnotes

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