Egypt in Transition
INSIGHTS AND OPTIONS FOR U.S. POLICY

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Overview

Egypt's leadership has dashed expectations for a swift and complete shift from autocracy to democracy. The inherent conservatism of Egypt’s military leadership, combined with the political ineffectiveness of many of the activists who were at the center of public protests a year ago, is widening the gap between public expectations of the post-Mubarak era and its reality. The rise of Islamist politics in Egypt raises more questions than it answers. “Islamist” is not a concept with a single meaning, and there are likely to be skirmishes within parties and between them to help give meaning to the notion as Islamist forces share power—and exercise it—for the first time.

The United States has some role to play in Egypt’s transition, but it is a limited one. The Egyptian public links the United States closely to the ancien regime, despite President Obama’s calls for Mubarak to leave office in February 2011. Approval ratings of the United States have emerged from the single-digit lows of the Bush administration, but they remain stubbornly below 20 percent. The most enduring U.S. ties are with the Egyptian military, but even there, everything is not rosy. Three decades of U.S. military assistance to Egypt has left both sides feeling unappreciated; U.S. officers who have served in Egypt describe their ties as far more formal and lacking the warmth and trust they have developed with counterparts elsewhere in the region. U.S. relations with the Supreme Council of the Armed Forces (SCAF) appear to be deteriorating, and the current Egyptian civilian leadership and the incoming politicians both seem determined to diminish ties with the United States.

Further, the Egyptian transition comes at a time of severe U.S. budget constraints and political tensions between the White House and Capitol Hill, and amidst the uncertainty of an election year. Devising a strategy that is effective, palatable to Egyptian partners, and politically viable in the United States is a tall order.

In order to analyze the U.S. role in post-Mubarak Egypt, CSIS brought together some 15 of the most senior Egypt experts in the United States for weekly discussions in the fall of 2011. Collectively representing more than 200 years of experience studying the country and decades of U.S. government service, the group debated the drivers of events in Egypt and the opportunities for the United States to play a helpful role.

The group agreed that, to be effective, U.S. strategy needs to be symbolic yet consequential, and targeted to catalyze further change. This report urges taking a long view of developments in Egypt and cautions against a rush toward conditionality to shape the Egyptian government’s actions. It calls for investments in democratic processes, in the Egyptian military, in trade, and in training and education.
Advisory Council

In drawing up this report, CSIS consulted with the leaders listed below, who embrace the report’s conclusions.

Richard L. Armitage, CSIS Trustee, and President of Armitage International; former U.S. Deputy Secretary of State.

Harold Brown, CSIS Counselor and Trustee; former U.S. Secretary of Defense.

Zbigniew K. Brzezinski, CSIS Counselor and Trustee; former National Security Adviser to President Jimmy Carter.

James E. Cartwright, USMC (Ret.), CSIS Harold Brown Chair in Defense Policy Studies; former Vice Chairman of the Joint Chiefs of Staff.

Henrietta H. Fore, CSIS Trustee, and Chairman and CEO of Holsman International; former Administrator of the U.S. Agency for International Development.

Helene D. Gayle, CSIS Trustee, and President and CEO of CARE USA.

Carla A. Hills, CSIS Counselor and Trustee, and Chair and CEO of Hills & Company; former U.S. Trade Representative.

Muhtar Kent, CSIS Trustee, and Chairman and CEO of the The Coca-Cola Company.

John McLaughlin, Senior Practitioner-in-Residence at the Philip Merrill Center for Strategic Studies at the Johns Hopkins School of Advanced International Studies; former Acting Director of the Central Intelligence Agency.

Joseph S. Nye, Jr., CSIS Trustee, and Distinguished Service Professor at Harvard University; former Chairman of the National Intelligence Council.

Thomas J. Pritzker, CSIS Trustee, and Chairman and CEO of The Pritzker Organization; also serves as Executive Chairman of Hyatt Hotels Corporation and Marmon Group, Inc.

Charles S. Robb, Vice Chairman of the Board of Trustees of the MITRE Corporation; former U.S. Senator from Virginia.

Anthony C. Zinni, USMC (Ret.), CSIS Distinguished Senior Adviser; former Commander in Chief of United States Central Command.
Findings

The Egypt experts CSIS brought together (listed on the inside back cover of this report) generally agreed that Egypt’s change in government was not the result of the country reaching a “tipping point.” Egyptian politics had been growing more heated following heavily manipulated parliamentary elections in November 2010, and the potential rise of Gamal Mubarak to the presidency disquieted many. Still, the proximate cause of Egypt’s political transition in early 2011 was the demonstration effect of government change in Tunisia. President Zine El Abidine Ben Ali’s ouster dramatically changed the range of potential outcomes Egyptians envisioned.

Going forward, the CSIS group agreed that Egypt’s politics likely will be unsettled for far longer than most observers contemplate. In part, an election calendar that calls for more than a dozen election days in a year ensures that politics will remain in flux. In part, too, the rules of post-Mubarak politics will need to be hashed out between the Egyptian government and its people on the one hand, and between Egyptian institutions on the other. It is unclear who will have real sway in the new Egypt, and parties themselves will not know until they contest each other. Key issues to be decided include the power of the presidency, the residual power of the military, and the freedoms of press, assembly and speech. Many of the most heated battles over the constitution may be more about grabbing the symbolic high ground and demonstrating one group’s power over another than the stakes actually in play.

One potentially ascendant actor is al-Azhar, the millennium-old religious university that Abdel Nasser domesticated in the 1950s and 1960s, and which has been showing new signs of ambition. Subservient to the Egyptian president for decades, al-Azhar has been exploring a role as an arbiter between disparate groups and as a political actor in its own right. As election results have proven the popularity of a range of Islamist actors, al-Azhar may have a new role mediating differences between Islamist groups and between Islamist groups and the state.
In a disappointing twist to many external observers, the young protesters at the center of early efforts to bring down Mubarak have been relatively less ambitious in shaping the new political rules. Whether they are disinterested in politics or merely bad at it, they are increasingly marginal to debates about power and influence within Egypt. The protesters’ voices resonate deeply outside of Egypt, however. Many of them are worldly, cosmopolitan, multilingual, and secular, and they have captivated a broad international audience. Should they be systematically marginalized in Egyptian politics, the world will see Egypt in a more negative light.

There is no clear logic to how Egyptian politics will divide, although several experts suggested that the real splits are more likely to be over economic issues than religion. How religious parties relate to each other, how each of them define what it is to be “religious” in an Egyptian context, and how they relate to secular forces in Egypt, remains to be seen.

**U.S. Role**

There was universal agreement that the United States could do far more harm than good in Egypt’s electoral season. The experts maintained that the most important elements of U.S. policy are to keep attention on the process rather than the outcomes, and to understand that the elections will be highly iterative, with true outcomes unknown for years. One suggested that, having bet on democratic development in Egypt, the United States has to engage in a multi-year, multilateral effort to make it come to fruition. Whatever the outcome, the group agreed that Egyptian politics are likely to be far more complicated in the future than they have been, and all argued that the U.S. embassy will need to reach out far more extensively and creatively to a range of political actors in Egypt than it has done in the past.
Findings

The experts agreed that a distancing between Egypt and the United States was all but inevitable in the post-Mubarak era, in part because Egyptians were attempting to draw a line between the old era and the new, and in part because regional politics are shifting increasingly against Israel and against the United States. One expert suggested an Iranian hand behind efforts to embarrass Egypt’s leaders into cooling the U.S. relationship through inflaming the Palestinian issue, boosting Islamist voices in Egyptian politics, and distancing Turkey from the United States and Israel. While the potential for such Iranian intervention exists, Gulf state support for religious parties appears to be a far more significant foreign driver of Egyptian politics.

For the United States, maintenance of the Egyptian-Israeli peace agreement is a “must-have” in the U.S.-Egyptian bilateral relationship. Even short of Egyptian-Israeli hostilities, the disavowal of signed agreements would make it difficult for the United States to sustain a close relationship with Egypt. Some Egyptians seem disinterested in sustaining the U.S. relationship, and some are even hostile to it—especially because they see it as an unsavory bargain that sacrifices Palestinian (and Arab and Muslim) interests for material gain. Islamist political factions are sending mixed signals about the importance of maintaining the peace agreement with Israel, and they likely have not yet determined either their precise goals in this regard or the relative priority to pursue them.

Experts agreed that the military would seek to preserve a productive relationship with Israel, given a large number of shared interests. Egypt’s new political class would likely seek a rebalancing of Egyptian-Israeli relations, reducing economic ties and even security cooperation. Should there be significant Palestinian-Israeli violence, as occurred in 2008-2009 during Israel’s Operation Cast Lead against militants in Gaza, the political calls for a distinctly different Egyptian role than in the past likely would prove irresistible. Whereas Egyptian troops actively secured the Egypt-Gaza border then, one could conceive of an active Egyptian campaign to support Gaza’s Palestinians in the future.

KEY DATA POINTS

- Six of the Arab League’s seven secretaries general since its founding have been Egyptian.
- Israeli-Egyptian trade in 2010 was about $500 million. Sales of Egyptian natural gas to Israel accounted for more than half of that amount.
- Egypt has one of the largest and most skillful diplomatic corps in the Middle East and Africa.
Regional Politics

A U.S. emphasis on preserving the status quo in regional politics, then, would likely create tension between two goals of U.S. policy: facilitating a democratic transition in Egypt, and preserving security on the Israeli-Egyptian border. The rising fortunes of Islamist politicians and the seemingly diminishing fortunes of the SCAF make it less certain what final balance might be struck on these issues, and it remains unclear how much civilian politicians will be able to or even be inclined to confront the military directly on traditional military priorities.

Regardless, Egyptian civilian officials appear to view their ongoing centrality to regional relations as both a birthright and inescapable. One told a Washington meeting in September that Egypt had “already” returned to the central role it had played in regional politics in the 1950s-1970s.

Going forward, the increasingly strained relations between Egypt, Turkey, and Israel are likely to shape U.S. strategic calculations in the Eastern Mediterranean. The United States has close ties with all three states. Israel fears Turkey’s slide to greater hostility, and many in Israel worry that a more Islamist Egypt will turn what they have long seen as a cold peace into a cold war. Many in Egypt are jealous to protect a leading regional role for itself, and they see hubris in Turkey’s newly prominent posture and in the universalist presumptions of its model of Islamic secularism. Turkey sees Israel supporting rivals of Turkey, and it sees Israeli off-shore gas developments challenging Turkey’s role as a hub for the energy trade to Europe. Both Turkey and Egypt are likely to more loudly champion the Palestinian cause than they have up to now, creating a potential flashpoint with Israel in the event of Israeli-Palestinian hostilities. Paradoxically, an Israel that feels more isolated is more likely to act unilaterally and unpredictably, potentially leading Israel to be more isolated, and thus act more unilaterally and unpredictably.

**U.S. Role**

The experts were generally pessimistic that the United States could have much influence in the near term on Egypt’s regional diplomatic orientation. “What can we offer to whom? And to do what?” one expert asked. One suggestion was to paint scenarios for Egyptian policymakers to help illustrate the consequences of different courses of action, but the overall sense was that most of the diplomatic choices would come after elections gave a clearer picture of the political environment.

The broader question of regional diplomacy is difficult when the United States faces increasing antagonism between three strategic allies. Traditional Congressional support for Israel could also manifest itself in greater skepticism of the U.S. relationships with Egypt and Turkey, making coordination of internal U.S. government policy more difficult.
Findings

For all its preeminence in Egyptian life, experts on the Egyptian military considered it a relatively weak reed. Strapped for cash and uncomfortable with politics, there was general agreement that the military is searching for a way to preserve its interests and privileges without the burden of day-to-day management. One expert suggested the military’s three interests were preserving its economic activities (necessary not so much for profit as for maintenance of its basic operations), maintaining stability and social cohesion regardless of ideology, and remaining the repository of the legitimacy of the state. To do all three, he said, “They are clearly making this up as they go along.”

An expert said that it is hard for the Egyptian military to emulate the Turkish model because that model had an ideology—Kemalism—at its core, while the Egyptian military is motivated solely by self-interest. The military’s taking a more direct role in long-term governance is also difficult, as it would mean turning away from the widely held narrative in the military that its direct rule from 1952-1967 was a mistake. There was general agreement that the Egyptian military was in danger of becoming a major obstacle to both democratization and economic growth, at the same time that it was challenged to do the jobs that modern militaries do. Brazil, Argentina, and several Eastern European countries’ militaries have turned the corner toward professionalism, and there was some optimism that with leadership, the Egyptian military could do the same.

For the United States government, the Egyptian military looms large in the overall bilateral relationship, as does the Egyptian General Intelligence Service, which is institutionally distinct but culturally linked. The U.S. government sees them as the most competent state institutions and the locus of most of the support in Egypt for sustaining a strong bilateral relationship with the United States. Given the sustained weakness of the Interior Ministry, some in Egypt and the United States see these two institutions as the only things standing between order and chaos.
And yet, even these relationships seem under strain. In the military’s meetings with think tankers in Washington, D.C. and Cairo, some see the military building a case against Washington while retaining an outstretched hand for financial support. Military officers complain that the United States sends low-level delegations, bypasses the Egyptian government in its support for NGOs, and has insufficient appreciation for Egypt’s contributions to regional security. They are clearly distressed at prospects of conditioning U.S. aid to Egypt, at the same time that many in Congress are increasingly interested in precisely that. Keeping Congress supportive of a close U.S.-Egyptian relationship is likely to grow harder in the next two years.

**U.S. Role**

U.S. leverage over the Egyptian military is highest when the Egyptian military is under stress, because the military requires U.S. assistance to mobilize. In general, however, experts agreed that U.S. leverage was currently low. There was a general perception that the United States is at a disadvantage dealing with the SCAF on political issues because the State Department has less access to the SCAF than the U.S. Department of Defense (DoD), but DoD has less interest in raising the diplomatic and political issues that increasingly dominate military decision-making. Adding to the difficulty, the SCAF’s instincts appear to be nationalist and populist, making them especially resistant to outside influence. The SCAF’s internal dynamics and decisionmaking processes remain unclear, and there are an increasing number of instances of clear policy differences between the SCAF and the Obama administration.

Still, there is no potential relationship or collection of relationships on offer that would provide the Egyptian military what the United States provides, and the military seems unlikely to seek to reverse Egypt’s geopolitical orientation.

One expert suggested that the U.S. government should push in the long term not only for civilian control over the military, but also for empowering professionals within the military. One way to do that, he said, was to selectively leak information about the military that is not widely known in Egypt and could help civilians gain influence over military institutions. He conceded that such an effort could backfire as well.

The group shared general skepticism about the utility of conditionality, in part because it would be hard to construct robust conditions, and in part because such conditions would be unlikely to sway military decisionmakers.
A leading political economist of Egypt observed that there has been a “mutiny on the bounty,” but we are still left with the same ship in the same ocean. Overall growth will be negative for 2011, and a former International Monetary Fund (IMF) economist estimated 1-2 percent growth for 2012 as a “best-case scenario.” Experts agreed Egypt’s economy is likely to get worse before it gets better, as campaigning politicians compete to promise handouts and adopt populist rhetoric. While some were surprised that there had not been more unraveling of Mubarak-era economic reforms up to now (other than the addition of a million government employees to the payroll earlier this year), that restraint was not expected to last.

Egypt will likely face an economic crunch in March 2012, as foreign reserves bottom out and require a sharp devaluation of the Egyptian pound. The economic pain will hit just as the new parliament is taking office, as the constitution is being written, and as preparations are underway for presidential elections. The confluence of economic and political uncertainty is likely to prolong Egypt’s economic weakness.

Egyptian economic weakness will affect the whole region. Egypt has the fourth largest economy in the Middle East and North Africa (MENA) region, yet capital is flowing out of the country, tourism is weak, and foreign exchange reserves are decreasing sharply. Unemployment is high and likely to rise. There is an urgent need for skilled private sector jobs, but politicians who lionize the private sector are likely to be viewed with suspicion. Rather than stimulating the private sector, Egypt’s future leadership will likely emphasize populist economic policies and welfare to help maintain short-term domestic stability.

In the longer term, it is hard to imagine how Egypt can gain greater stability without broad-based economic growth, and one of the revelations of the post-Mubarak era is how many Egyptians felt abandoned by the economy despite several years of seven percent annual growth. Unemployment
among young people, which often lasts for years upon the completion of education, is a profound problem. Equally troubling, employment prospects are inversely proportionate to years of education, inhibiting the growth of human capital. Corruption is a profound drag on the economy, and a new set of government officials and new policies offers opportunities for marked improvement.

Aid—be it from Western countries or the Middle East itself—is inadequate for the task. Egypt’s new leaders need to devise a business model that enjoys broad public support, will identify areas of comparative advantage and stimulate domestic and foreign investment.

U.S. Role

Supporting an IMF program for budget support could help ameliorate the coming trough in the Egyptian economy. The “Deauville Partnership” provides a framework for G8 members to provide loans to the government of Egypt, but the mechanism remains largely untapped. Taking another tack, trade agreements such as that between Turkey and the European Union could be a model going forward. Further, some felt that countries such as Turkey, Brazil, and India could be useful sources of investment and expertise, and the United States could play a helpful coordinating role in attracting such investment.

The United States has had some success assisting countries to streamline government processes and fight corruption, such as in Georgia, but it has done so as an adjunct to concerted government action rather than as a driver of it.

For all of the Western interest in moving Egypt toward orthodox models of economic growth, there is the persistent attraction of easy cash from the Gulf Cooperation Council (GCC). The terms of such loans are likely to be lax, and they will certainly not be predicated on political reform. The reality, however, is that Gulf state donations often lag significantly behind promises, and there is a broad sense there that it is easier to put money into Egypt than to get it out. Further, Gulf states are loath to put money into Egypt until the government’s shape and direction are clearer. Although GCC states pledged $7 billion in “emergency” aid to Egypt in May 2011, only $500 million has been delivered up to now. Some argue that the GCC states are withholding funds until lawsuits over failed real estate investments are settled in the favor of Gulf investors, prolonging payment still further. A worst-case scenario would have Egypt spurning extra-regional loans in hopes of getting regional money with no strings—as it did declining a generous deal from the IMF in July 2011—and to be left with neither reforms nor adequate cash.
1) **Focus on long-term goals, not short-term events.** Early election results have not empowered likely allies of the United States, and relief is not on the horizon. While the People’s Assembly elections have been relatively fair and free of violence, the same may not hold through all of Egypt’s elections this year. The United States should not condition aid based on the composition of any elected government, and it should continue to refrain from becoming a factor in Egyptian politics. At the same time, in this new era it must build contacts at all levels and all quarters of Egyptian politics.

2) **Continue to support the consolidation of Egypt’s democratic institutions.** Many interpret the Egyptian military’s risk aversion in politics as a design to retain power and enshrine the status quo. The United States should continue with statements and actions that bolster a transfer of power to civilian rule, and make clear to the military that a close and enduring military partnership between Egypt and the United States relies in part on the military loosening its grip on domestic affairs. Regardless of the outcomes of elections, the United States should also push for an inclusive and tolerant political sphere that preserves genuine competition.

3) **Work diplomatically to ease tensions between Egypt, Turkey and Israel.** Relations among these three countries will shape the strategic picture in the Eastern Mediterranean for years to come. Without active and ongoing U.S. diplomacy, all three U.S. allies are likely to find themselves in tension with each other, and the impact on U.S. interests could be profound. The U.S. practice of treating Turkey as a European state in much of the bureaucracy makes integrating the diplomacy for this task all the more difficult, but no less important, and the United States should put additional emphasis on ameliorating tensions in this sphere.

4) **Help nurture a national security strategy.** Egypt has military plans, but it has neither a clear sense of its national interests nor a strategy that integrates military and intelligence capabilities with the civilian organs of government. While the task of constructing such a strategy is both the prerogative and responsibility of Egyptians, quietly supporting the forging of such a strategy is in the U.S. interest, in part because it would help align the military and civilian wings of the government and integrate its actions, and also reduce the possibility of Egyptian rulers reverting to the practice of relying on intelligence and military forces to preserve their power.

5) **Make investments in the kind of military Egypt needs to have going forward.** Increased investment in the International Military Education and Training (IMET) Program, and putting additional effort into building ties and sustaining them over time, will help build Egypt’s capacity. Finding
ways to refocus the Bright Star war-gaming exercise into exercising agility and adaptability will make it more useful for all and incentivize the development of new skills among Egypt and other partner nations. Another investment is to quietly offer the Egyptian government training for crowd control, and to nurture the political will for a different approach to protesters. Incidents in the last nine months demonstrate the difficulty Egyptian forces have controlling large crowds without resorting to deadly force. Repeated incidents around Tahrir Square in the fall of 2011, in which dozens of protesters were killed and many hundreds were injured—in front of the Radio and Television Building, on Mohammed Mahmoud Street, and on Qasr al-Aini Street—highlights the need for a different approach. Such an approach would require more than merely equipping and training the Egyptian police and Interior Ministry forces. It would also require building a consensus among the political leadership that different strategies would yield better results.

6) **Set a U.S.-Egyptian Free Trade Agreement (FTA) as a goal.** Political uncertainty has engendered economic uncertainty, hindering investment and causing capital to remain on the sidelines. Identifying the U.S. intention of pursuing FTA negotiations not only gives a direction for future economic development, but it also provides opportunities for socializing the ideas of what an FTA would entail to many government employees currently idled by Egypt’s political transition. Rather than passively awaiting economic decisionmaking, the United States can help shape that thinking and arrest what might otherwise be a slide toward state-centered economics.

7) **Create incentives for U.S. institutions to provide training and education.** The economic slowdown will create a pool of ambitious and energetic but unemployed young people. Encouraging multinational corporations and educational institutions to invest in Egypt’s human capital in the near term will help shape Egypt’s future and help the United States associate itself with positive change.
**About the Project**

In Fall 2011, CSIS convened a series of seminars with the United States’ preeminent Egypt experts, with the goal of focusing on tools through which the United States could help influence Egypt’s trajectory. CSIS synthesized the findings of these seminars and then sought the feedback and support of a senior-level audience.

CSIS is grateful for the time and insights of the scholars who participated in the seminars, including:

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- Michael Doran, Brookings Institution
- Steven Heydemann, United States Institute of Peace
- Mohsin Khan, Peterson Institute for International Economics
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- David Schenker, Washington Institute for Near East Policy
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