



# Egypt: Background and U.S. Relations

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March 26, 2009

Congressional Research Service

7-5700

[www.crs.gov](http://www.crs.gov)

RL33003

# Report Documentation Page

Form Approved  
OMB No. 0704-0188

Public reporting burden for the collection of information is estimated to average 1 hour per response, including the time for reviewing instructions, searching existing data sources, gathering and maintaining the data needed, and completing and reviewing the collection of information. Send comments regarding this burden estimate or any other aspect of this collection of information, including suggestions for reducing this burden, to Washington Headquarters Services, Directorate for Information Operations and Reports, 1215 Jefferson Davis Highway, Suite 1204, Arlington VA 22202-4302. Respondents should be aware that notwithstanding any other provision of law, no person shall be subject to a penalty for failing to comply with a collection of information if it does not display a currently valid OMB control number.

1. REPORT DATE <b>26 MAR 2009</b>		2. REPORT TYPE		3. DATES COVERED <b>00-00-2009 to 00-00-2009</b>	
4. TITLE AND SUBTITLE <b>Egypt: Background and U.S. Relations</b>				5a. CONTRACT NUMBER	
				5b. GRANT NUMBER	
				5c. PROGRAM ELEMENT NUMBER	
6. AUTHOR(S)				5d. PROJECT NUMBER	
				5e. TASK NUMBER	
				5f. WORK UNIT NUMBER	
7. PERFORMING ORGANIZATION NAME(S) AND ADDRESS(ES) <b>Congressional Research Service, The Library of Congress, 101 Independence Ave SE, Washington, DC, 20540-7500</b>				8. PERFORMING ORGANIZATION REPORT NUMBER	
9. SPONSORING/MONITORING AGENCY NAME(S) AND ADDRESS(ES)				10. SPONSOR/MONITOR'S ACRONYM(S)	
				11. SPONSOR/MONITOR'S REPORT NUMBER(S)	
12. DISTRIBUTION/AVAILABILITY STATEMENT <b>Approved for public release; distribution unlimited</b>					
13. SUPPLEMENTARY NOTES					
14. ABSTRACT					
15. SUBJECT TERMS					
16. SECURITY CLASSIFICATION OF:			17. LIMITATION OF ABSTRACT	18. NUMBER OF PAGES	19a. NAME OF RESPONSIBLE PERSON
a. REPORT <b>unclassified</b>	b. ABSTRACT <b>unclassified</b>	c. THIS PAGE <b>unclassified</b>			

## Summary

This report provides an overview of Egyptian politics and current issues in U.S.-Egyptian relations. It briefly provides a political history of modern Egypt, an overview of its political institutions, and a discussion of the prospects for democratization in Egypt. This report will be updated regularly.

U.S. policy toward Egypt is aimed at maintaining regional stability, improving bilateral relations, continuing military cooperation, and sustaining the March 1979 Egyptian-Israeli peace treaty. Successive Administrations have long viewed Egypt as a moderating influence in the Middle East, at the same time in recent years, there have been increasing U.S. calls for Egypt to democratize. Congressional views of U.S.-Egyptian relations vary. Many lawmakers view Egypt as a stabilizing force in the region, but some Members would like the United States to pressure Egypt to implement political reforms, improve its human rights record, and take a more active role in reducing Arab-Israeli tensions.

The United States has provided Egypt with an annual average of over \$2 billion in economic and military foreign assistance since 1979. P.L. 111-8, the FY2009 Omnibus Appropriations Act, provides \$200 million in ESF and \$1.3 billion in FMF to Egypt. For the first time, Congress stipulated that FMF grants to Egypt may be used for “border security programs and activities in the Sinai,” a possible reference to anti-smuggling initiatives on the Egypt-Gaza border. ESF grants to Egypt were less than half of the FY2008 level with \$20 million earmarked for democracy programs and \$35 million for education programs including scholarships for Egyptian students with high financial need. During Senate consideration of the bill, Senator John Kyl proposed an amendment (S.Amdt. 630) to require the Secretary of State to submit a report to Congress on whether additional funds from Foreign Military Financing assistance provided annually to the Government of Egypt could be expended to improve efforts by the Government of Egypt to counter illicit smuggling, including arms smuggling, across the Egypt-Gaza border; and to intercept weapons originating in other countries in the region and smuggled into Gaza through Egypt. The amendment failed by a recorded vote of 34 to 61.

There are several pieces of pending legislation on Egypt before the 111<sup>th</sup> Congress. Among them, H.Res. 200 calls on the Egyptian Government to, among other things, “end all forms of harassment, including judicial measures, the detention of media professionals and, more generally, human rights defenders and activists calling for reforms.” H.R. 696, the Egyptian Counterterrorism and Political Reform Act, would, among other things, prohibit U.S. military assistance to Egypt. H.Res. 282, among other things, “recognizes the 30th anniversary of the peace treaty between Egypt and Israel, celebrates the treaty's strength and endurance, and commends the extraordinary diplomatic achievement that the treaty exemplifies.”

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## Turning a Page in U.S.-Egyptian Relations?

In 2009, the Egyptian government has reached out to the 111<sup>th</sup> Congress and the Obama Administration in the hopes of improving a lackluster bilateral relationship which has gradually deteriorated over the last decade. In February and March 2009, Egypt has sent a series of envoys to Washington, D.C. in order to assess the political climate and reestablish relationships with U.S. officials and lawmakers. Recent Egyptian visitors include Gamal Mubarak, the President's son and possible heir, Dr. Mohammad Kamal, a close advisor to the Mubarak family and high ranking National Democratic Party (NDP) member, Omar Suleiman, head of the Egyptian General Intelligence Services and key interlocutor between Israel, Hamas and the Palestinian Authority, and dozens of Egyptian businessmen from the American-Egyptian Chamber of Commerce. President Mubarak himself is expected to travel to the United States later this year.

On the U.S. side, Secretary of State Hillary Clinton traveled to Sharm el-Sheikh, Egypt in early March to attend a donors' conference on Gaza reconstruction following Israel's 2008-2009 Operation Cast Lead. In an interview with Arab satellite news network *Al-Arabiya*, Secretary Clinton remarked that "I really consider President and Mrs. Mubarak to be friends of my family. So I hope to see him often here in Egypt and in the United States." In a separate interview with Egyptian state television, the Secretary stated that "We are friends.... We have strong relations... and in order to promote the ties to the next level, I discussed during breakfast with President Mubarak today having an unofficial bilateral dialogue."

Experts suggest that the President's FY2010 budget request to Congress will be a key barometer in assessing the state of U.S.-Egyptian relations. Egypt has reportedly asked U.S. officials to increase U.S. economic assistance to Egypt in light of the global financial crisis and reconsider the pursuit of a U.S.-Egyptian free trade agreement which was tabled during the Bush Administration. The Egyptian government responded positively to the passage of P.L. 111-8, the Omnibus Appropriations Act, FY2009 because, though it reduced economic aid by half, it did not contain language conditioning U.S. bilateral assistance to Egypt on either improvements in its human rights record or enhanced Gaza border anti-smuggling efforts.

Despite the appearance of a more positive atmosphere, inherent tensions and contradictions in U.S.-Egyptian relations remain. For U.S. policymakers and Members of Congress, how to simultaneously maintain the U.S.-Egyptian strategic relationship born out of the Camp David Accords and the 1979 peace treaty while promoting human rights and democracy in Egypt is a major challenge with no clear path. As Egyptian opposition figures have grown more vocal in recent years over issues such as succession, corruption, and economic inequality, and the regime has subsequently grown more repressive in its response to increased calls for reform, activists have demanded that the United States pressure Egypt into creating more breathing space for dissent. The Egyptian government has resisted any U.S. attempts to interfere in its domestic politics and has responded harshly to overt U.S. rhetoric calling for political reform. At the same time, as the Israeli-Palestinian situation has further deteriorated, Egypt's role as a mediator has proved invaluable to U.S. foreign policy in the region, as Egypt has secured cease-fire agreements and hosted negotiations with Hamas over prisoner releases, cease-fire arrangements, and other issues. Since Hamas is a U.S. designated Foreign Terrorist Organization (FTO) and calls for Israel's destruction, neither Israel nor the United States government directly negotiate with its officials, using Egypt instead as a go-between. With the Obama Administration committed to

pursuing Middle East peace, there is concern that U.S. officials may choose to prioritize Egypt's regional role at the expense of human rights and democracy reforms.

## Historical Background

### Egypt During the Colonial Era

Egypt's relations with the West, including its current friendly relations with the United States, are colored by a long history of foreign intervention in Egyptian politics, which has made Egypt, along with other Arab states, wary of outside influences on their domestic affairs. In the 19<sup>th</sup> century, Egypt was a semi-autonomous province in the Ottoman Empire, which by then was in decline and being propped up by the British in order to serve as a buffer between it and Czarist Russia. At the time, Egypt was viewed as extremely valuable to the British and French empires and was prized for its agricultural output, large domestic market, and strategic location between the Mediterranean and Red Seas. Most importantly, the British saw Egypt as vital to securing the sea route to its most prized colony, India. Ottoman weakness led its Sultans to grant Europeans certain legal protections and economic advantages in Egypt, which stifled the Egyptian economy by flooding it with European manufactured goods, driving local merchants out of business.<sup>1</sup>

Over time, Egypt developed a “cash crop” economy based almost solely on the export of cotton, the price of which constantly fluctuated, leaving the economy vulnerable and dependent on good harvests. Without a strong, diverse economy, Egypt could not generate enough capital to fund its modernization, leading it to become even more financially dependent on the West, as its rulers borrowed huge sums from European banks. Six years after the completion of the Suez Canal in 1869, Egypt was forced to sell all of its shares in the Suez Canal Company, which operated the Canal, in order to make payments on its foreign-owned debt. When Egypt could no longer pay its debts, the British and French became directly involved in Egyptian politics—a trend that would continue until the mid 20<sup>th</sup> century.<sup>2</sup>

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<sup>1</sup> Library of Congress, Federal Research Division, *Egypt: A Country Study*, accessible at <http://lcweb2.loc.gov/frd/cs/egtoc.html>.

<sup>2</sup> Napoleon invaded Egypt in 1798. The British invaded in 1882 and established a de facto protectorate. They would keep a sizeable military force in Egypt until the 1950s.

Figure 1. Map of Egypt



## The Constitutional Monarchy and the British

Britain unilaterally declared Egyptian independence in 1922, and for the next three decades, political power in Egypt was contested among three main actors: the British, the Egyptian monarchy, and the nationalist Wafd party, which was the driving force behind the Egyptian independence movement after World War I. Thousands of British troops remained stationed near the Suez Canal, and British officials served in the Egyptian ministries. Egypt's king could appoint a government and dismiss parliament, but ultimately relied on the British for support. The Wafd party dominated parliamentary elections during Egypt's experiment with parliamentary democracy (1922-1952), though the Wafd gradually began to lose popularity to more radical organizations, such as the Muslim Brotherhood.

## **Nasser and Egypt During the Cold War**

By the early 1950s, anti-British sentiment in Egypt had sparked civil unrest, allowing a cabal of Egyptian Army officers, known as the Free Officers Movement, to oust the king in what is referred to as the July 1952 revolution. The Free Officer Movement ushered in an era of military involvement in Egyptian politics, as all of Egypt's presidents in the post-revolutionary period have been high ranking officers. In the aftermath of the coup, Colonel Gamal Abdul Nasser, the most charismatic of the Free Officers, succeeded in gaining total control over the government. Nasser abolished the monarchy and outlawed the Muslim Brotherhood (1954), which at the time was the only potential rival for power. Nasser would rule Egypt until his death in 1970.

During the Nasser era, Egypt found itself at the center of superpower competition for influence in the Middle East. Wary of taking sides, Nasser managed, for a short period, to steer Egypt clear of either the Soviet or Western "camp" and was instrumental in helping to establish the non-aligned movement. U.S.-Egyptian relations soured when Nasser turned to the Soviets and the Czechs in 1955 for military training and equipment after the West, frustrated by Nasser's repeated rejections and his support of Algerian independence against the French, refused to provide Egypt with defense assistance. A year later, following a U.S.-British decision to retract an offer of economic assistance and help for the construction of the Aswan Dam, Nasser nationalized the Suez Canal Company to use its revenues to finance the dam project. (Egypt owned the Suez Canal, but the British-French company operated the Canal, and collected the revenues from which it paid a small rent to Egypt.) In October 1956, Israel, France, and Britain invaded Egypt—Israel to stop Palestinian guerrillas from using Egypt as a base for operations against Israel, and France and Britain to occupy the Canal. President Eisenhower persuaded the three countries to withdraw from Egypt in early 1957, which briefly improved U.S.-Egyptian relations.<sup>3</sup>

After the 1956 Suez War, Nasser's popularity soared, as he came to embody Arab nationalism in the post-colonial era. Nasser did not hesitate to brandish his newfound authority and developed a muscular Egyptian foreign policy that attempted to destabilize pro-Western governments in Jordan, Iraq, and Lebanon, support Palestinian guerrilla action against Israel, create a unified Arab state by merging briefly with Syria (the United Arab Republic 1958-1961), and intervene against the Saudi-backed royalists in the Yemeni civil war.<sup>4</sup> However, Egypt's defeat at the hands of Israel in the June 1967 War and other setbacks temporarily deflated Nasser's popularity and crushed his ambitions to spread a pan-Arab ideology across the region.

On the domestic front, Nasser turned Egypt into a socialist dictatorship with absolute power in the hands of the President. All banks and commercial firms were nationalized, large landowning estates were broken up into much smaller parcels and held in a state trust, and all political parties were banned. The precursor to the present National Democratic Party (NDP) was formed by Nasser in 1962 and was called the Arab Socialist Union. It served as the Egyptian republic's first mass party and an extension of the ruling elite. Other movements, such as the Muslim Brotherhood, were forced to go underground, as Nasser arrested thousands of Brotherhood activists after a failed Brotherhood assassination attempt against him in 1954.<sup>5</sup>

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<sup>3</sup> M.E. Yapp, *The Near East Since the First World War*, London: Longman, 1991, p. 409.

<sup>4</sup> During the Yemeni Civil War of 1963 through 1967, Egypt reportedly used mustard bombs in support of South Yemen against Saudi-backed royalist troops in North Yemen. See Federation of American Scientists (FAS) Egypt Special Weapons Guide, available online at <http://www.fas.org/nuke/guide/egypt/index.html>.

<sup>5</sup> One of the Brotherhood activists arrested was Sayyid Qutb, a writer and former government official whose writings (continued...)

## **Egypt-Israeli Peace**

After Nasser's death in 1970, Vice President Anwar Sadat, one of the original Free Officers, became President of Egypt. At the time, Egypt was humiliated by its defeat in the June 1967 War and the ensuing loss of the Sinai Peninsula to Israel. In addition, military rebuilding expenditures were absorbing nearly 25% of Egypt's gross domestic product. Under these circumstances, Sadat calculated that a military victory was needed to boost his own legitimacy and improve Egypt's position in any future negotiations with Israel. The October 1973 War, which initially took Israel by surprise, was costly for both sides, but succeeded in boosting Sadat's credibility with the Egyptian people, enabling him to embark on a path which would ultimately sever Egypt's ties to the Soviet Union and bring it closer to the West.

In November 1973, Egypt and the United States restored diplomatic relations (which had been cut off in 1967), and in December, the two countries participated in the Geneva peace conference. U.S. Secretary of State Henry Kissinger's shuttle diplomacy led to Egyptian-Israeli and Syrian-Israeli disengagement agreements in 1974 and a second set of Egyptian-Israeli disengagements in 1975. The United States resumed economic aid to Egypt in 1975 after an eight-year hiatus.

## **The Camp David Agreement and 1979 Peace Treaty**

On November 20, 1977, President Sadat made his historic visit to Israel, where he addressed the *Knesset* (parliament). Sadat's visit was symbolic as he became the first Arab leader to visit Israel, thereby implicitly recognizing the Jewish state. Sadat believed that his initiative would jumpstart the Arab-Israeli peace process which had stalled.

In the late summer of 1978, Israeli and Egyptian leaders accepted an invitation from President Carter to attend talks at Camp David, Maryland, intended to save what had been a faltering peace process. After nearly two weeks of clandestine and exhausting negotiations, on September 17, 1978, Egypt and Israel, with the United States as a witness, signed two agreements, *A Framework for Peace in the Middle East* and *A Framework for the Conclusion of a Peace Treaty between Egypt and Israel*. The first "framework" called for an autonomous Palestinian entity in the West Bank and Gaza Strip following an Israeli withdrawal. The latter agreement ultimately led to the signing of the 1979 Israel-Egypt peace treaty. Israel maintained that the two agreements were not linked, as it did not want to be obligated to grant self-determination to the Palestinians.

On March 26, 1979, President Sadat and Israeli Prime Minister Menachem Begin signed a peace treaty,<sup>6</sup> the first ever between Israel and an Arab country, in a ceremony at the White House. Three days later, the Arab League voted to expel Egypt from its ranks. At the time, the rest of the Arab world felt betrayed by Egypt for making a separate peace with Israel.

The 1979 Peace Treaty between Israel and Egypt ushered in the current era of U.S. financial support for peace between Israel and her Arab neighbors. In two separate memoranda

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(...continued)

provided a philosophical foundation for Islamic radicalism. Qutb spent years in prison and, after being briefly released in 1964, was rearrested and hanged in 1966. See Daniel Benjamin & Steven Simon, *The Age of Sacred Terror* (New York: Random House, 1966), p. 62.

<sup>6</sup> A copy of the 1979 Egyptian-Israeli peace treaty is available online from MidEast Web Gateway at <http://www.mideastweb.org/egyptisrael treaty.htm>.

accompanying the treaty, the United States outlined commitments to Israel and Egypt, respectively. In its letter to Israel, the Carter Administration pledged to “endeavor to take into account and will endeavor to be responsive to military and economic assistance requirements of Israel.”<sup>7</sup> In his letter to Egypt, former U.S. Secretary of Defense Harold Brown wrote that “the United States is prepared to enter into an expanded security relationship with Egypt with regard to the sales of military equipment and services and the financing of, at least a portion of those sales.”<sup>8</sup> Ultimately, the United States provided a total of \$7.3 billion to both parties in 1979. The Special International Security Assistance Act of 1979 (P.L. 96-35) provided both military and economic grants to Israel and Egypt at a ratio of 3 to 2, respectively, though this ratio was not enshrined in the treaty as Egypt would later claim.

For Egypt, U.S. funds helped to subsidize its defense budget and upgrade its aging Soviet hardware. Egypt became the second-largest recipient of U.S. aid after 1979. The U.S. assistance program in Egypt also helped modernize the country’s infrastructure, as U.S. economic assistance was used to build Cairo’s sewer system, a telephone network, and thousands of schools and medical facilities. The United States also helped organize the peacekeeping mission along the Egyptian-Israeli border and the Multi-National Force and Observers (MFO), and still maintains a rotating infantry task force as part of it.<sup>9</sup>

## **Egypt Under Mubarak**

Sadat’s rule came to an abrupt end in 1981, when he was assassinated during a military parade in Cairo by soldiers who also belonged to the Jamaah Islamiyah (Islamic Group) and Al Jihad, the more radical offshoots of the Muslim Brotherhood. Hosni Mubarak, Sadat’s Vice President and former commander of the Egyptian Air Force, immediately ascended to the presidency and has remained in office to the present day. Under Mubarak, Egypt has continued to maintain good relations with the United States, as evident in Egypt’s 1991 decision to join the allied coalition against Saddam Hussein in Operation Desert Storm. The United States and Egypt began conducting bi-annual joint military training exercises in 1983. U.S. and Egyptian armed forces served together in Somalia in 1991, and were part of an international peacekeeping force in Bosnia in the mid 1990s. Egypt now assembles the “Abrams” M-1 tank at a government facility near Cairo (some components are shipped from the United States and other components are manufactured in Egypt).

Following the path laid out by Sadat, Egypt has remained at peace with Israel, although critics have characterized this as a “cold peace.” Mubarak has made a number of attempts to serve as a broker for Israeli-Palestinian peace talks. During the Mubarak era, conflict between Egyptian Islamists and the Egyptian authorities continued, culminating in a period (1992-1997) of violent confrontations between Islamic militants and Egyptian police.

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<sup>7</sup> Memorandum of Agreement between the Governments of the United States of America and the State of Israel, March 26, 1979. Available online at: <http://www.mfa.gov.il/mfa/peace%20process/guide%20to%20the%20peace%20process/us-israel%20memorandum%20of%20agreement>.

<sup>8</sup> Letter on United States Defense Assistance to Egypt, March 23, 1979. *The Search for Peace in the Middle East, Documents and Statements, 1967-79*, Prepared for the House Committee on Foreign Affairs by the Congressional Research Service, 1979.

<sup>9</sup> The MFO is an independent (non-UN) peacekeeping mission, created as a result of the 1979 peace treaty. The MFO’s expenses are funded in equal parts by Egypt, Israel, and the United States with additional contributions from Germany, Japan, and Switzerland. For more information on the MFO, see <http://www.mfo.org/Default.asp?bhcp=1>.

After the September 11, 2001, terrorist attacks and the ensuing U.S. focus on promoting democracy in the Middle East, the Mubarak regime has come under increasing U.S. pressure to accelerate political reforms and make Egypt more democratic. In an effort to control the reform agenda without relinquishing their grip on power, Mubarak and the ruling National Democratic Party (NDP) have instituted some political reforms, while emphasizing the need for economic growth as a precondition for democratic change.

## Regime Structure

### Overview

Since the 1952 revolution, Egypt has officially been a republic, and its political system has developed some aspects of a democracy, though most observers continue to describe Egypt as an authoritarian regime dominated by a strong president, who draws his support from the ruling National Democratic Party (NDP) and the military. Under the 1971 Constitution, authority is vested in an elected president who must stand for reelection every six years.<sup>10</sup> The president appoints the cabinet, which generally drafts and submits legislation to the legislature, the People's Assembly (lower house) and the Shura Council (upper house). The People's Assembly debates legislation proposed by government ministries and calls for amendments to government-sponsored bills but rarely initiates its own bills. The Shura Council has modest legislative powers and must ratify treaties and constitutional amendments. Overall, analysts consider Egypt's legislative branch to be weak; the ruling party constitutes an overwhelming majority. Based on low voter turnout in recent elections, there is a clear lack of public confidence in the parliament.

<b>Egypt at a Glance</b>	
Population:	80 million (est.)
GDP per Capita:	\$1,400
Religions:	90% Sunni Muslim 9% Coptic Christian
Literacy Rate:	83% (59% female)
Unemployment Rate:	15%-20% (est.)
<b>Source:</b> U.S. Central Intelligence Agency World Factbook 2007.	

In the People's Assembly, 444 members are elected and ten are appointed by the President; 176 members of the Shura Council are elected and 88 are appointed.<sup>11</sup> People's Assembly members are elected for five-year terms, and Shura Council members for six-year terms (one-half the Council members are elected every three years). The NDP controls 324 seats in parliament, Muslim Brotherhood-affiliated members hold 88 seats, and the remaining seats are held by a mix of independents and secular opposition parties. NDP members won 84 of the 88 seats contested in the June 2007 Shura Council election. Religious parties, such as the Muslim Brotherhood, are officially banned.

<sup>10</sup> In 1980, the Constitution was amended to allow the president to run for an unlimited number of terms, rather than one as was stipulated in the 1971 Constitution. An English language version of the Egyptian Constitution is available at <http://www.parliament.gov.eg/EPA/en/sections.jsp?typeID=1&levelid=54&parentlevel=6&levelno=2>.

<sup>11</sup> One half of the elected members of the People's Assembly and the Shura Council must be farmers and laborers (Art. 87 and Art. 196 of the Constitution).

## **The Role of the Military in Egyptian Society**

Although military officers no longer play a direct role in the affairs of the civilian-run government, the military remains the preeminent institution in Egyptian society, and has been called on by successive governments to maintain internal security and regime stability.<sup>12</sup> The military also provides employment and social services for hundreds of thousands of young people in a country with annual double digit unemployment rates. Military experts have often asserted that Egypt's armed forces are bloated and maintain manpower at unnecessary levels for peacetime, while others contend that the large size of the military is justified based on the services it provides to soldiers and their families. Some experts estimate that the military trains 12% of young Egyptian males and that defense industries employ over 100,000 people.<sup>13</sup> The military has its own companies that produce consumer products, pharmaceuticals, and manufactured goods. The officer corps also benefit from higher salaries, better housing, and high quality healthcare which help ensure their loyalty to the government. Some members of the opposition have criticized these special benefits and the military's fiscal autonomy, asserting that there is little civilian control over the military's budget.

## **The National Democratic Party (NDP)<sup>14</sup>**

As the ruling party, the NDP dominates the political scene in Egypt, controlling well over 80% of the seats in parliament. The party itself is more of a coalition of business and political elites rather than a coherent and disciplined organization with a unifying ideology. In the 2000 parliamentary election, popular dissatisfaction with the status quo led to the defeat of many NDP incumbents, though the party maintained its supra-majority in parliament after a number of "independents" who had been NDP members rejoined the party. Thereafter, NDP officials embarked on a campaign to improve the party's public image, holding the first party congress in 10 years in 2002. Since then, the NDP has held conferences in each successive year, touting a number of political reforms under the slogan of "new thinking." More importantly, the President's son, Gamal Mubarak, was appointed to the NDP's higher policy council, and other young figures have become more visible in the party.

## **The Judiciary**

Many Egyptian reformers and democracy activists believe that judicial branch of government offers the best hope for instituting checks and balances against executive authority. Despite the fact that judicial independence is enshrined in the constitution, the Egyptian state has a long history of attempting to coerce judges.<sup>15</sup> Created in 1969 by Nasser, the Supreme Judicial Council attends to matters of appointment, promotion, and transfer of judges. Nevertheless, in general, the civilian court system is well regarded and operates independent of the executive branch. However, there is an entire parallel justice system to deal with security-related and high profile

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<sup>12</sup> In 1986, President Mubarak called on the military to put down riots in Cairo, sparked by the protests of police conscripts who were angry with their low pay and poor working conditions. The military also was deployed in 1977 during riots over a temporary reduction in food subsidies.

<sup>13</sup> Imad Harb, "The Egyptian Military in Politics: Disengagement or Accommodation?," *The Middle East Journal*, Washington, spring 2003. vol. 57, Issue 2, p. 269.

<sup>14</sup> The NDP's website is available at [http://www.ndp.org.eg/index\\_en.htm](http://www.ndp.org.eg/index_en.htm).

<sup>15</sup> Article 65 of the Egyptian constitution states that "The State shall be subject to law. The independence and immunity of the judiciary are two basic guarantees to safeguard rights and liberties."

political cases. The State Security Emergency Courts try cases in which the defendant has been accused of violating the 1981 emergency law, which, among other things, prohibits gatherings of more than five people and limits speech and association.<sup>16</sup> Since 1992, military courts have tried civilians charged with terrorism and other security-related offenses. Under the emergency law, the government can hold an individual for up to 30 days without charge.

Some judges have spoken openly about election abuses allegedly committed by pro-government forces in 2005. The government responded by detaining several high profile judges which sparked large-scale protests. Mahmoud Mekki and Hisham Bastawisi were stripped of their judicial immunity and detained after publicly charging electoral fraud during parliamentary elections in 2005. Bastawisi, who suffered a heart attack before his hearing, was warned that another offense would lead to his dismissal from the judiciary, while Mekki was cleared of all charges. According to Steven Cook, an Egypt expert at the Council on Foreign Relations, "Egypt's judges had proved that they could in many ways act as the conscience of the Egyptian people, many of whom want a more open and democratic future. Without becoming partisan themselves or pouring into the streets as the lawyers of Pakistan regularly do, Egypt's judges can help shape Egypt's political future."<sup>17</sup>

## **Reinforcing Regime Rule**

Over the last several years, the Mubarak government has tightened its grip on power and cracked down on domestic opponents (see below). Experts have posited a myriad of theories behind both the increase in domestic opposition and the subsequent government crackdown. Some analysts assert that the government is deliberately flexing its muscles during a delicate period of political transition, as the president may be grooming his son to succeed him. Others have speculated that the regime may be sending a message to the international community, particularly the United States, that it will not be pressured into liberalizing its political system. Still other observers take a more Marxist approach, citing the growing resentment among the poor and middle class of the private sector elite, a demographic group which has disproportionately benefitted in recent years from the state's economic liberalization policies.

Now entering its fourth year, the government has used both legal tactics and brute force to suppress opposition activity. Independent analysts have long noted that the Egyptian legal system is a labyrinth of codes and procedures that can be twisted to the state's benefit when necessary. The following is a sampling of recent government action to reinforce its rule:

- Between 2006 and 2009, dozens of Egyptian bloggers have been detained and incarcerated under provisions outlined in the emergency law. Abdel Karim Suleiman (Kareem Amer) was sentenced in 2006 to four years in prison for "insulting Islam" and one year for "insulting the president." He was the first Egyptian blogger ever to be convicted for his online writings. On February 6, 2009, Eddin Gad was arrested for using his blog, entitled "An Angry Voice," to criticize the government for its policies during Israel's military operations in

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<sup>16</sup> Sentences issued by the State Security Emergency Courts cannot be appealed, except on procedural grounds, and are subject to ratification by the president, who can annul both convictions and acquittals. See, *Arab Political Systems: Baseline Information and Reforms*, published jointly by the Carnegie Endowment for International Peace and the Fundación para las Relaciones Internacionales y el Diálogo Exterior (FRIDE), March 6, 2008.

<sup>17</sup> Steven A. Cook, "Adrift on the Nile: The Limits of the Opposition in Egypt," *Foreign Affairs*, March/April 2009.

Gaza and its decision to close the Rafah crossing for Palestinians trying to escape the fighting.

- On August 2, 2008, an Egyptian court sentenced prominent self-exiled dissident Saad Eddin Ibrahim to two years in prison for harming Egypt's reputation through his public writings. The court ruled that Ibrahim, who is currently abroad, could post a bond of \$1,900 to remain free pending an appeal. In response, the U.S. State Department issued a press release stating, "We are disappointed by the recent conviction in Egypt of democracy activist Dr. Saad Eddin Ibrahim. On August 2, Dr. Ibrahim was convicted of harming Egypt's reputation through his writings in the foreign press and was sentenced to two years in prison. Lawsuits should not be used to undermine the principles of freedom of expression. We strongly advocate—in all countries—the protection of civil and political rights, including freedom of speech and due process."
- On May 26, 2008, parliament approved a two-year extension of the emergency laws, which have been in place since Sadat's assassination in 1981. During his 2005 election campaign, President Mubarak pledged to introduce a number of reforms, including the elimination of the emergency laws which have been used to quell political dissent by holding people without charge for long periods and referring civilians to military courts, where they have fewer rights.
- On April 8, 2008, after a two-year delay, Egypt held nationwide municipal elections for local councils. These councils had been of little importance in national politics, but became more relevant after the Egyptian Constitution was amended in 2005. Under the revision of Article 76, which, for the first time in Egypt's history legally established the framework for a multi-candidate presidential election, the Constitution now requires that all presidential candidate nominations must obtain the support of at least 250 members of various elected bodies, including 65 members of the lower house of parliament, 25 members of the upper house, and 140 members of various local councils. The Muslim Brotherhood (MB), the only well organized opposition group in Egyptian politics, boycotted the elections at the last minute, citing various government attempts to thwart their participation and rig the results. The MB had initially fielded several thousand candidates for 52,000 seats in 4,500 local councils. Bureaucratic obstruction eventually whittled the number of MB candidates down to a few hundred, of whom only a handful (perhaps 20) were expected to compete.<sup>18</sup> Ultimately, the ruling National Democratic Party obtained a majority of seats, helping to maintain its monopoly over the political system.
- In September 2007, authorities closed the Association for Human Rights and Legal Aid after it helped bring a case against the government over a political activist who died in police custody.
- Also in September, a judge sentenced four newspaper editors, including *Ad Dustour* chief Ibrahim Issa (also spelled Eissa), to prison sentences on charges of defaming President Mubarak and his son Gamal. Issa was already on trial on charges of "disturbing the peace and harming national economic interests" after he published several speculative articles over the health and possible death of

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<sup>18</sup> "Egypt Vote Ends with Little Excitement," *Agence France Presse*, April 8, 2008.

President Mubarak. According to *Oxford Analytica*, “The regime is exacting revenge against individuals such as Eissa for their zealous criticism of the government since the war on Iraq. Much of the criticism was seen as breaking previous publishing red-lines. While it would not have been prudent to crack down then given the international pressure and attention, the context has changed and the regime is feeling secure enough to repress.”<sup>19</sup>

- On June 11, 2007, Egypt held a mid-term election for the Shura Council, the upper chamber of parliament with modest legislative powers. The NDP won 84 of 88 seats. As usual, opposition activists charged that the election was marred by irregularities and violations (e.g. ballot stuffing, obstruction of polling centers, and underage voting ) committed by the state and NDP. Prior to election day, police and security forces arrested hundreds of Muslim Brotherhood members, including several Shura Council candidates claiming that they violated prohibitions against the use of religious slogans in political campaign material.
- On March 26, 2007, 34 amendments to the Egyptian constitution were approved in a popular referendum widely considered to be managed by pro-government forces. U.S. officials criticized both the content of the amendments and the expediency of their approval while *Amnesty International* called the amendments the “greatest erosion of human rights in 26 years” in Egypt. Amended Article 179 allows the president to have civilians tried in military courts and eliminates protections against arbitrary search and arrest in offenses related to terrorism. Revised Article 88 curtails judicial supervision of general elections and transfers oversight responsibility to an electoral commission. In 2000, the Egyptian Supreme Constitutional Court ruled that elections should have direct judicial oversight. Revised Article 62 changes the electoral system from a candidate-centered system to a mixed system of party lists and individual districts. This revision would further restrict the Muslim Brotherhood since, as an illegal organization, it cannot field a list of party candidates (Brotherhood members run as independents). This amendment also establishes a quota for female lawmakers in parliament.

## Political Opposition and Civil Society

Over the past few years, political opposition in Egypt has broadened to include an array of various groups, both secular and religious. However, despite a growing chorus of regime critics, particularly over the Internet, the Muslim Brotherhood remains the only serious organized opposition movement in Egypt today. Nevertheless, labor strikes and spontaneous demonstrations organized by activist bloggers have received more international attention as of late, despite widespread political apathy and resignation that pervades Egyptian society.

A handful of legal opposition parties, which must be approved by the government, serve as the token, official opposition to the NDP.<sup>20</sup> Most experts regard Egypt’s legal opposition parties as

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<sup>19</sup> “EGYPT: Press Crackdown Linked to Succession,” *Oxford Analytica*, November 1 2007.

<sup>20</sup> By law, political parties must be approved by the seven-member Political Parties Committee (PPC). Since 1977, the Committee has approved 19 political parties and rejected almost 50. The most recent party to obtain a license was the Democratic Front Party, made up of former NDP members, which was established in May 2007.

divided with limited popular support. In the 2000 parliamentary elections, the principal opposition parties secured just 17 seats, despite widespread popular dissatisfaction with the ruling NDP. In 2005, these parties fared even worse, winning just 12 seats.

## **The Muslim Brotherhood<sup>21</sup>**

The Muslim Brotherhood (MB) was founded in Egypt in 1928 to turn Egypt away from secularism and toward an Islamic government based on *Sharia* (religious) law and Muslim principles.<sup>22</sup> The Muslim Brotherhood operates as a religious charitable and educational institution, having been banned as a political party in 1954; however, many Muslim Brotherhood members run for parliament as independents. In the 2000 parliamentary elections, 17 independent candidates, who were regarded as Brotherhood sympathizers, were elected. In 2005, Brotherhood-affiliated candidates won 88 seats in parliament. Over the years, the Egyptian government has alternated between tolerating and suppressing the Muslim Brotherhood, sometimes arresting and jailing its members, and other times allowing its members to operate almost without hindrance.

Many foreign observers agree that the organization has renounced the use of violence as a political tactic, while many Egyptian officials continue to perceive the Brotherhood as a threat and are unwilling to legalize the movement.<sup>23</sup> In the United States, the issue of whether or not to recognize the Muslim Brotherhood as a legitimate political actor continues to perplex policymakers, particularly after the September 11, 2001 terrorist attacks. On the one hand, there has been a general reluctance to push for Islamist inclusion in politics, out of concern that, once in power, groups such as the Muslim Brotherhood will pursue policies counter to U.S. interests in the region or will transform states into theocracies like Iran.<sup>24</sup> On the other hand, some experts believe that if Islamists were brought into a functional democratic system, then they would temper their rhetoric in order to appeal to a wider audience.

Most analysts believe that, from an organizational standpoint, the Brotherhood is the only movement capable of mobilizing significant opposition to the government, though opinions vary on how much mass support the Brotherhood commands. As is typical for Islamist groups across the region, the Muslim Brotherhood is strongest among the professional middle class, controlling many of the professional syndicates (associations), including those representing engineers, doctors, lawyers and academics.<sup>25</sup>

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<sup>21</sup> For more information, see CRS Report RL33486, *U.S. Democracy Promotion Policy in the Middle East: The Islamist Dilemma*, by Jeremy M. Sharp.

<sup>22</sup> The Muslim Brotherhood is generally considered as the parent organization for Brotherhood branches throughout the Middle East region. Former Brotherhood members also have formed a number of radical and extremist off-shoots, including Hamas. See Gilles Kippel, *Jihad: The Trail of Political Islam* (Cambridge: Harvard University Press, 2002), p. 151.

<sup>23</sup> During the 1940s and early 1950s, the Brotherhood's paramilitary wing waged a guerrilla campaign against British rule and, after independence, against Nasser.

<sup>24</sup> According to Essam al-Arian, a leading figure in the movement, "The Muslim Brotherhood does not recognize Israel and rejects the Camp David agreement.... If a popular referendum were held, we're sure the people would also reject it." See, "Egyptian Government, not People, Recognize Israel," *Inter Press Service*, December 21, 2007.

<sup>25</sup> John Walsh, "Egypt's Muslim Brotherhood," *Harvard International Review* (Cambridge: winter 2003), vol. 24, issue 4, p. 32.

## **The Brotherhood's "Party Platform"**

For years critics have charged that the Muslim Brotherhood, like other Islamists groups, has been unable to articulate concrete policies and has relied too heavily on conveying its agenda through vague slogans, such as the party mantra of "Islam is the solution." When the Brotherhood circulated a draft party platform in late 2007, it generated a great deal of attention and condemnation by its opponents. The draft, which was contested by a more moderate faction of the Brotherhood,<sup>26</sup> reportedly called for the establishment of a board of religious scholars with whom the president and the legislature would have to consult before passing laws. According to one critic, "Reminiscent of Iran's Guardian Council, this undemocratically selected body could have the power vested by the state to veto any and all legislation passed by the Egyptian parliament and approved by the president that is not compatible with Islamic sharia law....The Muslim Brotherhood should have looked to Turkey as a model for how to integrate Islam into a secular system."<sup>27</sup> The draft platform also states that neither women nor Christians may stand for president.

## **Ayman Nour**

Ayman Nour (age 42), a former member of the Egyptian parliament and second place finisher in Egypt's first multi-candidate presidential election in 2005, had been serving a five-year sentence for forgery in a prison hospital until his sudden and unexpected release in February 2009. Some Members of Congress and officials in the Bush Administration had regularly called for Nour's release from prison. In June 2007, at the conference on Democracy and Security in Prague, Czechoslovakia, President Bush named Ayman Nour as one of several "dissidents who could not join us, because they are being unjustly imprisoned." During his incarceration, Nour's political party, Al Ghad, split in half, and the party headquarters burned to the ground after a violent confrontation there between rival wings of the party. Egyptian law prohibits individuals with criminal records from holding a political office, and Nour, who has vowed to return to public life, is in the process of appealing this ruling. In an interview just days after his release, Nour stated that "I still don't know why they suddenly released me, and what they want from me, and I don't care.... But I know what I want to do after getting out: to rebuild my party and my liberal trend."<sup>28</sup> Some experts caution that Nour's popular support is fairly limited, but with few recognizable alternatives to the Muslim Brotherhood amongst Egypt's political opposition, he receives a disproportionate amount of foreign media attention.

## **Civil Society in Egypt**

Although political opposition continues to be stymied, observers note that, over the past two decades, Egypt has developed a vibrant civil society, which some development experts hope will further democratization in the country. The term "civil society" generally refers to the growing number of non-governmental organizations (NGOs), charities, and advocacy groups that openly operate in Egyptian society. Many of these groups pursue so-called "safe issues," such as

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<sup>26</sup> Some observers contend that the authorities deliberately arrested the more moderate Brotherhood members in order to make the platform reflective of conservative and hardliners' positions. See, "Egypt Politics: Brothers at Odds," *Economist Intelligence Unit - ViewsWire*, October 15, 2007.

<sup>27</sup> "The Muslim Brotherhood Shows its True Colors," *Christian Science Monitor*, October 12, 2007.

<sup>28</sup> "I Know it will be a Fierce Battle," *The National*, February 25, 2009.

women's rights, economic development, and social equality, as a way to work toward the much broader goal of democratization. While others focus more directly on human rights, voter education, and election monitoring. Often times, the Egyptian government has created its own associations in order to boost its reform image at home and abroad, such as the government-sponsored National Council on Human Rights. Critics charge that such official associations have hampered the space in which independent civil society can operate, as well as the resources they can garner.

In Egypt, NGOs are required to apply for legal status and, according to Association Law 84-2003, NGOs must be registered with the Ministry of Social Affairs. There are an estimated 16,000 registered civic organizations in Egypt. In some cases, it may take years before the ministry rules on an application, and many groups are routinely rejected. Often, no response is given to the application, leaving organizations in a legal limbo. If an NGO's application is rejected, it has few legal rights and can be shut down. Its members can be imprisoned. However, even registered NGOs must tread carefully when engaging in sensitive political issues, as some groups have been periodically closed or have had their legal status revoked. NGOs also must report all foreign donations to the Ministry of Social Affairs. Overall, tolerance for the activities of non-registered groups varies, and many NGOs operate without any legal protection.<sup>29</sup> According to the U.S. State Department's 2008 Human Rights Report, "Several leading human rights groups and civil society organizations continued to press legal challenges against government decisions that prohibit them from registering under the NGO law. Although these organizations generally were allowed to conduct operations, albeit on a limited basis, they did so in technical violation of the NGO law with the omnipresent prospect of government interference and/or closure looming over them."<sup>30</sup>

In 2009, Egyptian lawmakers proposed new amendments to the NGO law to halt foreign funding to Egyptian NGOs altogether. According to independent MP Mohamed El Omda, "Funding is the new tool for neo-colonialism, both cultural and political."<sup>31</sup> Though most observers expect the proposed amendments to fail, a complete ban on foreign funding to Egyptian NGOs would deal a serious setback to U.S. government democracy-promotion efforts in Egypt, such as USAID democracy and governance programs and the State Department's Middle East Partnership Initiative (MEPI) small grants to Egyptian NGOs program.<sup>32</sup>

## **Organized Labor**

While reform-minded intellectuals and conservative Islamists have served as the backbone of political opposition in Egypt, a series of successful worker strikes in 2007 have led some analysts to speculate that organized labor could be one of the most effective opposition movements in Egypt today.<sup>33</sup> Low wages and rising inflation have led to several strikes at mostly government-

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<sup>29</sup> Human Rights Watch, "Margins of Repression: State Limits on Non-Governmental Organization Activism," July 2005. Available online at <http://hrw.org/english/docs/2005/07/04/egypt11217.htm>.

<sup>30</sup> Bureau of Democracy, Human Rights, and Labor, *2008 Human Rights Report: Egypt*, U.S. State Department, 2008 Country Reports on Human Rights Practices, February 25, 2008.

<sup>31</sup> "Deputy Proposes Ban on Foreign Funding of Civil Society Organizations," *Daily News Egypt Online*, February 23, 2009.

<sup>32</sup> For a list of MEPI's Egyptian grantees, see [<http://www.medregion.mepi.state.gov/egypt.html>]

<sup>33</sup> While Egyptian workers belong to a number of trade unions, the Egyptian Trade Union Federation (also referred to as the General Confederation of Trade Unions), is the sole legally recognized labor federation.

owned textile factories. One strike, at a textile factory in the Nile Delta town of Mahalla al Kubra, witnessed a week-long sit-in of an estimated 20,000 workers. Protestors not only demanded a wage hike, but expressed their opposition to the government's economic liberalization strategy, fearing that privatization plans will lead to job cuts. According to Joel Benin, a professor at the American University in Cairo, "It seems like the decision is to pacify the workers and give them what they want and crack down on the intellectuals and not give them anything.... The workers are more of a threat." A recent report by Carnegie Endowment for International Peace speculated that:

recent strikes represented a departure from the tradition of workers holding sit-ins while work continued, because strikes were seen as hurting Egypt's national interest. This perception changed, however, as the reform process advanced. A new feature of the most recent strikes is that they are ending peacefully, whereas in the past they would be broken by police force. Some analysts have interpreted this as a sign of the increased societal tensions around economic reform, while others have seen it as a result of increased international scrutiny.<sup>34</sup>

Between 2008 and 2009, as inflation has increased and average incomes have stagnated, labor strikes have become widespread. According to Hamdi Abdelazim, an economist and former president of the Cairo-based Sadat Academy, "The success of the labor actions in 2007 and 2008 encouraged workers to demonstrate and call strikes to realize longstanding demands.... Many people now see labor strikes as the only means of forcing the government to address their grievances."<sup>35</sup>

## **Current Issues in U.S.-Egyptian Relations**

### **Egypt's Regional Role**

#### **Overview**

Although Egypt's regional prominence has gradually declined over decades, it still plays a vital role assisting the United States government in navigating the complexities of the Israeli-Palestinian conflict, intra-Palestinian politics, and the overall quest for Middle East peace. Egypt has continually sought a more active U.S. role in peace-making and, like most Arab countries, has criticized U.S. support for Israel as being "unbalanced." Nevertheless, Egypt and Israel have maintained their 1979 peace treaty obligations and, although their relations remain cool, have maintained a dialogue on issues of mutual concern, such as isolating Hamas. Egypt is a firm supporter of the Palestinian Authority (PA) government in the West Bank and has unsuccessfully tried for months to secure a Palestinian unity government which could reestablish a PA presence in Gaza.

For several years, Egypt's regional diplomatic efforts have been spearheaded by General Omar Suleiman, the head of the Egyptian General Intelligence Services and a possible successor to

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<sup>34</sup> Sufyan Alissa, "The Political Economy of Reform in Egypt: Understanding the Role of Institutions," *Carnegie Endowment for International Peace*, Carnegie Middle East Center, October 2007.

<sup>35</sup> "Egypt: Labor Strikes Point to Economic Pain," *Inter Press Service*, March 16, 2009.

President Mubarak. Suleiman has close contacts with high level Israeli and Palestinian officials, including Hamas leaders, and is generally well regarded in U.S. policymaking circles and Congress. In June 2008, Suleiman was instrumental in brokering an unofficial “cease-fire” between Israel and Hamas. The United States supported Egypt’s role as a mediator between Israel and Hamas, which, as a U.S.-designated Foreign Terrorist Organization (FTO), is sanctioned by the U.S. government. Hamas’s charter, which, among other things, calls for the destruction of Israel, also precludes it from being recognized by Israel, making Egypt’s intermediary role important for Israeli foreign policy as well.

### **Isolating Hamas**

Hamas’s control of the Gaza Strip poses a challenge for Egypt, which wants to keep Hamas isolated, but minimize the public and regional Arab backlash it may receive for doing so. The secular Mubarak regime is opposed to Islamists wielding real political power, and it fears that Hamas could serve as a model for Egyptian Muslim Brotherhood activists who may secretly yearn for an Iranian-style revolution in Egypt. Moreover, Hamas’s call for armed resistance against Israel and its alleged Iranian support runs counter to Egypt’s foreign policy which is largely based on its peace treaty with Israel and friendly relations with the United States. However, public opinion in Egypt is largely against Israel’s policies of sealing off the Gaza Strip, and critics have accused the Egyptian government of colluding with Israel to harm not just Hamas but Palestinian civilians as well. Hamas deftly exploits Egyptian public opinion to its benefit. According to Mouin Rabbani, an analyst at the International Crisis Group think tank in Jordan, “Egypt is confronted with what for them is a nasty dilemma—put in the position of being co-jailer of Gaza Palestinians.”

Most analysts believe that Hamas’s control over Gaza places Egypt on the diplomatic defensive, as it seeks to refute some Israeli calls for Egypt to reestablish its dominion over the Gaza Strip (which it controlled from 1948-1967), maintain a mostly sealed border and keep Palestinian civilians from entering the Sinai in large numbers, and prevent sophisticated weaponry from being smuggled underground into Gaza. Egyptian policymakers believe that if a PA presence is restored in Gaza, then much of this pressure will be alleviated. Thus, Egypt continues to try, though unsuccessfully, to foster a Palestinian unity government.

### **The 2008-2009 Israel-Hamas War in Gaza**

The December 2008 to January 2009 war in Gaza again placed Egypt in a difficult political position. During most of the fighting, it closed its southern Rafah border crossing, thereby directly reinforcing Israel’s own closure of the Gaza Strip.<sup>36</sup> Palestinians, the wider Arab world, and Egyptian citizens themselves all accused the Mubarak government of harming Palestinian civilians. On December 28, Hezbollah chief Hassan Nasrallah said

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<sup>36</sup> The Rafah crossing point is the only non-Israeli army-controlled access point for Palestinians to leave Gaza. When Israel unilaterally withdrew from the Gaza Strip in 2005, Secretary of State Rice helped broker an agreement (“The Agreement on Movement and Access”) between Israel, Egypt, and the Palestinian Authority to provide Gazans access through the Rafah terminal. Israel agreed to allow the European Union to maintain a Border Assistance Mission (EUBAM) to monitor the Rafah crossing. Without a physical presence on the border, Israel monitored the checkpoint using closed-circuit cameras. Most importantly, Israel retained the power to open and close the crossing based on its assessment of the security situation. After Hamas took over the Gaza Strip in June 2007, Egypt worked with Israel to close the Rafah crossing.

We are facing a partnership [with Israel and the USA] by some Arab states, and complicity by some other Arab states concerning the events in our region.... go out to the streets....open this [Egypt-Gaza] crossing [at Rafah] with your bare chests.... I am for the generals and the officers to go to the political leadership, saying: the honor of our military uniform.... does not allow us to see our kinsfolk in Gaza being slain while we guard the borders with Israel.”

The Egyptian government responded by asserting that Hamas itself is to blame for the failed cease-fire, as one pro-government editorial suggested that “If you can't kill the wolf, don't pull its tail.” President Mubarak himself remarked that “How long will Arab blood continue to be spilled, only to hear those who admit to miscalculating the scope and scale of Israel's response?” Although Egypt officially called on Israel to stop, not to widen, its military operations, President Mubarak stated that the Rafah border will remain closed until Palestinian Authority forces loyal to President Abbas, not Hamas, can be deployed along the Egypt-Gaza border.

### **The Smuggling Tunnels**

Though it has persisted for decades, smuggling via a network of underground tunnels beneath the 8-mile Egypt-Gaza border has become widespread due to Israel's total blockade of Gaza, Hamas's demand for weapons, and the lack of viable economic alternatives to black market activity on both sides of the border. Over the last three years, arms smuggling has increased dramatically due to intra-Palestinian fighting and Israeli-Palestinian violence. At the same time, the demand for commercial items inside Gaza has skyrocketed due to the international aid boycott of the Palestinian Authority that followed the formation of a Hamas-led government in 2006 and Israel's closure of the Gaza Strip following Hamas's 2007 Gaza takeover.

One goal of Israel's 2008-2009 war in Gaza was to destroy as many underground tunnels as possible. Although Israeli military officials estimate that repeated aerial bombardments destroyed hundreds of tunnels, numerous reports indicate that smuggling activity has resumed. Experts note that a number of systemic factors contribute to the ongoing smuggling trade between Egypt and Gaza, including:

- *the prevalence of smuggling amongst Egyptian Bedouins in the Sinai Peninsula.* The Bedouin community is largely self-governed and partially dependent on smuggling goods, people, drugs, and arms for its livelihood. Aside from the tourist industry, the Egyptian government has invested little in Bedouin areas. Furthermore, the 1979 Israel-Egypt peace treaty limits the number of Egyptian army and police forces which can patrol parts of the Sinai, making it difficult to enforce the rule of law there.
- *the ease of tunnel construction.* According to numerous media reports, tunnels are financed by tightly knit Palestinian and Bedouin clans on both sides of the border for between \$30,000 to \$120,000 each, depending on a tunnel's length and depth.<sup>37</sup> The equipment needed to build a successful tunnel (electric generators, cable, telephone wire, pipes, plastic containers) are widely available and labor costs are cheap. Once built, a tunnel can recoup its owner's investment in just a few months, and Hamas allegedly taxes proceeds from the sale of smuggled goods, giving the group a vested interest in the enterprise.<sup>38</sup>

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<sup>37</sup> "Gaza's Subterranean Resistance," *The National*, January 22, 2009.

<sup>38</sup> "Hamas Making \$20 million a Month from Gaza Smuggling Tunnels," *Ha'aretz*, August 31, 2008.

- *the lack of security forces on both sides of the border with the political will to halt smuggling.* On the Gaza border, there is no non-Hamas entity capable and/or willing to stop smuggling. In fact, authorities there encourage and, as previously mentioned, even tax the trade. On the Egypt side, a 750-man Border Guard Force (BGF) was deployed along the border following Israel's withdrawal from Gaza in 2005.<sup>39</sup> Over the last two years, Israel has questioned Egypt's political will to stop arms smuggling, though in recent months Israel has refrained from its previous public criticisms. In August 2008, Israeli defense officials acknowledged that they had received information from IDF military intelligence that Egypt was making an extra effort to curb the flow of weaponry and explosives into Gaza.<sup>40</sup> Although Egypt may be more diligent in halting weapons smuggling, others allege that BGF troops look the other way when it comes to smuggling items other than guns and ammunition. According to one tunnel owner, "There's too many people interested in keeping the tunnels open. There's too much money to be made."<sup>41</sup>

### ***Role of Congress***

In late 2007 and early 2008, as Israeli leaders stepped up their public criticism of alleged Egyptian complicity in Hamas weapons smuggling, Congress addressed the issue. During consideration of the House version of the FY2008 State, Foreign Operations, and Related Programs Appropriations bill (H.R. 2764), lawmakers inserted new language that proposed to withhold \$200 million in Foreign Military Financing (FMF) to Egypt until the Secretary of State certifies that Egypt has taken concrete steps toward improving its human rights record, strengthening judicial independence, and curbing Palestinian smuggling along the Gaza border.

Despite vociferous protests from the Egyptian government asserting that conditionality would harm bilateral relations, Congress passed legislation that temporarily suspended some aid to Egypt. P.L. 110-161, the FY2008 Consolidated Appropriations Act, contained Section 690, which withheld the obligation of \$100 million in FMF or ESF until the Secretary of State certifies, among other things, that Egypt has taken concrete steps to "adopt and implement judicial reforms that protect the independence of the judiciary; to review criminal procedures and train police leadership in modern policing to curb police abuses; and to detect and destroy the smuggling network and tunnels that lead from Egypt to Gaza." In March 2008, then Secretary of State Condoleezza Rice stated that "I have exercised on behalf of the United States the waiver in terms of Egyptian assistance.... The Bush Administration sought to have that flexibility. We believe that this relationship with Egypt is an important one and that the waiver was the right thing to do."<sup>42</sup>

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<sup>39</sup> When Israel unilaterally dismantled its settlements and withdrew its troops from the Gaza Strip in August 2005, it negotiated a new security arrangement with Egypt to bolster efforts to secure the Egyptian side of Rafah. After extensive Israeli-Egyptian talks, Egypt deployed 750 border guards to secure the Philadelphi Route. The memorandum of understanding between Israel and Egypt delineated the type of equipment the Egyptians may use (small arms and jeeps, no heavy armor) and the length of the patrol area (14km on the ground and 3 km into the sea).

<sup>40</sup> "Intel Branches Split on Egypt's Role," *Jerusalem Post*, August 5, 2008.

<sup>41</sup> "Gaza Smugglers Ready to Resume Work," *Associated Press*, February 11, 2008.

<sup>42</sup> Department Of State, Public Notice 6139, Determination and Waiver of Section 690(a) of the Department of State, Foreign Operations, and Related Programs Appropriations Act, 2008 (Div. J, P.L. 110-161) Relating to Assistance for Egypt, February 29, 2008.

### ***New U.S. Anti-Smuggling Support to Egypt***

During and after the debate on aid conditionality, the Bush Administration sought to broker a solution to the smuggling problem that was amenable to all parties. In order to allay Israeli concerns over smuggling and assist the undermanned Egyptian BGF force in Rafah, Egypt, the U.S. government in 2007 sent former Deputy Assistant Secretary of State Robert Danin and former Deputy Assistant Secretary of Defense Mark Kimmitt to Egypt to assess the smuggling problem. According to an Israeli media report, the two U.S. officials recommended that, among other things, the United States provide Egypt with sophisticated tunnel-detection and demolition equipment, such as unmanned ground vehicles and acoustic sensors, to improve Egypt's tunnel detection capability. A second team from the U.S. Army Corps of Engineers also traveled to Egypt in December 2007 and offered to assist Egypt by providing technical advice and training.

In late 2007, the Bush Administration and the Egyptian government agreed to set aside \$23 million of Egypt's annual Foreign Military Financing (FMF) toward the procurement of more advanced detection equipment, such as sensors, remote-controlled robotic devices, seismic-acoustic tunnel detection equipment, and the computers to process seismic data.<sup>43</sup> On June 16, 2008, U.S. Embassy in Cairo Spokesman Robert Greenan said that a U.S. (Defense Department) team had begun training Egyptian forces in using electronic equipment, including instruments that measure ground fluctuations, to detect smuggling tunnels.<sup>44</sup> According to the Egyptian Embassy in Washington, D.C., "In October 2008, training sessions for Egyptian officers were held in Egypt to use the new equipment at a training site set specifically for that purpose. Pentagon officials commended the seriousness and skills of the Egyptian officers trained to use these equipment. The BGF started employing the new US equipment upon their arrival in January 2009."<sup>45</sup> The U.S. Army Corps of Engineers may have also assisted Egypt in installing advanced cameras and sensors, such as ground-penetrating radar.

At this point, it would appear that there are no additional plans to augment existing U.S. support to Egypt in Rafah. This may be due, in part, to the sensitivities of the Egyptian government to a larger U.S. presence on Egyptian soil and the potential risk U.S. personnel may face from installing equipment designed to undermine the area's primary economy, tunnel smuggling. Although there have been no known threats made against U.S. personnel, retaliatory attacks are always a possibility.

Recent reports indicate that U.S. assistance to the BGF in Rafah is somewhat deterring smuggling activity. According to one Gaza tunnel owner, "The Egyptians have deployed everywhere on the other side and they have set up cameras. We haven't been able to bring anything."<sup>46</sup> According to another smuggler, "The Egyptians are closing the tunnels because the Jews and the Americans are putting pressure on them.... The situation now is dangerous."<sup>47</sup>

The United States also may be facilitating Israeli-Egyptian cooperation on the smuggling issue.<sup>48</sup> Reportedly, Israel may be more willing to renegotiate a 2005 MOU with Egypt to expand the

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<sup>43</sup> "Egypt to Bolster Gaza Border," *Washington Post*, January 7, 2008.

<sup>44</sup> "US trains Egypt Forces in Gaza Tunnel Detection," *Agence France Presse*, June 16, 2008.

<sup>45</sup> Embassy of Egypt Fact Sheet, February 6, 2009.

<sup>46</sup> "Gaza Smugglers Say Egypt Tightening Tunnel Trade," *Agence France Presse*, February 8, 2009.

<sup>47</sup> "Israel: Rafah Tunnel Smugglers Say Business Down 60% After IDF Operation," *Jerusalem Post*, February 6, 2009.

<sup>48</sup> In the aftermath of Operation Cast Lead, the Bush Administration, in its final days, signed a new MOU with the (continued...)

number of Egyptian BGF forces from 750 to between 1,500 and 2,200 men. Reports also indicate that Israeli-Egyptian intelligence sharing has increased.

### **A New Egyptian Brokered Cease-Fire and the Release of Gilad Shalit?**

As of March 2009, Egypt was continuing play a key role in mediating reconciliation between Fatah and Hamas, attempting to formalize the Israeli-Hamas cease-fire in Gaza complete with new arrangements for border control, and arranging an exchange in which Israel would free Palestinian prisoners for the return of Cpl. Gilad Shalit, an Israeli soldier kidnapped on June 25, 2006. At this point, it has not yet succeeded in any of these efforts. Reportedly, both sides have been close to a deal, but remain deadlocked over the number of Hamas prisoners Israel is willing to release in exchange for Shalit.

### **The Economy and U.S-Egyptian Trade**

By far, the biggest challenge facing Egypt today is its ability to remain competitive in the global economy and build a 21<sup>st</sup> century workforce. By now, the obstacles to meeting these goals are familiar to many observers and other developing nations: high poverty levels,<sup>49</sup> an inadequate and overstressed education system, inadequate housing and decaying infrastructure, and pervasive corruption amongst other problems. Egyptians themselves understand the challenges before them, and an economic “dream team”<sup>50</sup> of well-regarded economists and businessmen has been spearheading an economic reform program that, together with high global high oil prices, achieved successive years of strong growth between 2005 and 2009.

Economic growth in Egypt rests on the government’s ability to stimulate the private sector. The state can no longer guarantee employment for every young Egyptian, particularly the hundreds of thousands of college graduates entering the labor market each year. According to a World Bank Doing Business 2008 Report, Egypt’s pace of business reforms and deregulation between 2006 and 2007 ranked first worldwide. In recent years, the state has reinvigorated its privatization program by divesting shares in the state-dominated banking and insurance sectors. Additionally, the government removed import service fees and surcharges and reduced the average weighted rate for tariffs. The government also has streamlined the tax system, canceled many customs duties, and forced smaller banks to merge with the country’s four largest banks.

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(...continued)

Israeli government pledging additional U.S. support to counter weapons smuggling. According to the MOU, the United States, among other things, pledged to: “accelerate its efforts to provide logistical and technical assistance and to train and equip regional security forces in counter-smuggling tactics, working towards augmenting its existing assistance programs; and the United States will consult and work with its regional partners on expanding international assistance programs to affected communities in order to provide an alternative income/employment to those formerly involved in smuggling.” See, “Text of U.S.-Israel Agreement to End Gaza Arms Smuggling,” *Ha’aretz*, January 17, 2009.

<sup>49</sup> In Egypt, an estimated 20% of the country’s 80 million citizens live in poverty (international estimates suggest that up to 40% of Egyptians live on less than \$2 a day.)

<sup>50</sup> The architects of Egypt’s liberalization plan include Ministers of Finance, Youssef Boutros-Ghali, Minister of Investment, Mahmoud Mohieddin, and Foreign Trade & Industry Minister Rachid Mohamed Rachid.

## **Egypt and the Global Financial Crisis**

Egypt, like the rest of the global economy, is expected to experience little growth in 2009 and perhaps through 2010 as well. Economists predict GDP growth of 3.9% in both 2009 and 2010, and inflation remains high at over 14% as of January 2009. Global recession has affected Egypt's tourism industry, Suez Canal revenues, and its general manufacturing sector. Tourism and canal revenues are major sources foreign currency earnings, and steep declines may affect the Central Bank of Egypt's ability to cover import costs over the long term. However, Egyptian consumers should benefit from an overall decline in global commodity prices. According to the *Economist Intelligence Unit*, inflationary pressures are tightly connected to food prices in Egypt, as domestic food consumption comprises 44% of the household basket of goods.<sup>51</sup>

Income inequality in Egypt is a major source of concern for both foreign observers and Egyptians themselves. There is a pervasive public perception that most middle and lower class Egyptians have not benefitted from recent years of strong macroeconomic growth. Egypt is the world's largest importer of wheat, and recent high food prices not only angered the general public, but drained the government's coffers as well.<sup>52</sup> In order to ease public pressure, the government has raised public-sector wages, launched its own stimulus plan, and expanded subsidy benefits for millions of additional citizens, though all these policies have added to Egypt's national debt. According to official figures, the budget deficit as a percentage of GDP will rise to 8.4% in 2010, up from just 6.9% in 2009.

## **U.S.-Egyptian Trade**

The United States is Egypt's largest bilateral trading partner, while Egypt is the United States' 52nd largest trading partner. Egypt is one of the largest single markets worldwide for American wheat and is a significant importer of other agricultural commodities, machinery, and equipment. The United States also is the second largest foreign investor in Egypt, primarily in the oil and gas sector. Since the mid-1990s, Egyptian officials have sought to negotiate a Free Trade Agreement (FTA) with the United States, claiming that an Egyptian-American FTA could boost Egypt's economy by as much as 3%. As a first step, the two parties signed a Trade and Investment Framework Agreement (TIFA) in 1999. The TIFA established a Council on Trade and Investment (TIFA Council) composed of representatives of both governments and chaired by the United States Trade Representative (USTR) and Egypt's Minister of Economy and Foreign Trade. Intellectual property rights (IPR) protection was a contentious issue in pre-FTA negotiations held under the TIFA. In 2008, the U.S. Trade Representative (USTR) moved Egypt to its Watch List (from Special 301 Priority Watch List), reflecting improvements in its enforcement of intellectual property rights. In the past, Egypt had been cited by U.S. trade officials for lax IPR enforcement and issuance of market approvals for unauthorized pharmaceutical products.

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<sup>51</sup> "Country Report - Main report: Egypt," *Economist Intelligence Unit*, February 23, 2009.

<sup>52</sup> Bread is heavily subsidized in Egypt, where anyone can buy it, though in limited quantities. As food prices have increased, consumer demand for subsidized bread also has risen. Many observers assert that the entire subsidy system is broken, as many government-subsidized bakeries conspire with corrupt bureaucrats and inspectors to sell their allotments to private bakeries. Larger families in need of more bread must turn to private distributors, whose prices skyrocketed in 2008, and shortages compelled President Mubarak last year to order the military to bake additional loaves. Between 2007 and 2008, an estimated 11 people died in bread lines either from heat exhaustion or stab wounds suffered in altercations for positions in line. In 1977, when the Egyptian government temporarily lifted its bread subsidy, 70 people were killed in rioting, and then President Sadat had to order the military to deploy to Cairo to restore order. For five days, the government lost control of its capital city.

## Qualified Industrial Zones

In 1996, Congress authorized the creation of Qualified Industrial Zones (QIZ) in order to entitle goods jointly produced by Israel and either Jordan or Egypt to enter the United States duty free. In December 2004, Egypt finally reached an agreement with Israel to designate several Qualified Industrial Zones (QIZ) in Egypt under the mandate of the U.S.-Israeli Free Trade Agreement. Goods produced in Egyptian QIZs allow Egyptian-made products to be exported to the United States duty-free if the products contain at least 10.5% input from Israel. Most products exported from Egyptian QIZs are textiles. According to the American Chamber of Commerce in Egypt, exports to the United States from Egypt's 15 QIZs rose to \$744.7 million in 2008 up from \$288.6 million in 2005, and products manufactured in QIZs now account for one-third of Egyptian exports.<sup>53</sup>

**Table 1. U.S.-Egyptian Trade: 2006-2008**

\$s in millions

	2006	2007	2008
U.S. Exports to Egypt	4,132.7	5,346.8	6,030.0
U.S. Imports from Egypt	2,395.8	2,376.7	2,370.0
Balance	1,736.9	2,970.1	3,660.0

**Source:** TradeStats Express™ - National Trade Data,

**Notes:** based on data collected by the Foreign Trade Division, U.S. Census Bureau.

## Human Rights, Religious Freedom, and Women's Rights

As a major recipient of U.S. assistance, Egypt has been of great interest to lawmakers, some of whom believe that portions of U.S. aid should be conditioned on improvements in Egypt's human rights record. According to the U.S. State Department's *2008 Country Reports on Human Rights Practices*, "the government's respect for human rights remained poor, and serious abuses continued in many areas." The 2008 report, as in past years, documents several instances of torture allegedly carried out by Egyptian security forces. The prison system, particularly detention facilities used for incarcerating suspected Islamist radicals, has come under increasing international scrutiny for exacerbating militancy in the region due to its tendency to harden some criminals who have been tortured over prolonged periods of time. Several of Al Qaeda's leaders, including second-in-command Ayman al Zawahiri, were former prisoners in Egyptian jails.

International human rights organizations have long documented instances of torture, arbitrary detainment, and discrimination against women, homosexuals, and Coptic Christians in Egypt. In 2007, the international human rights watchdog group *Human Rights Watch* actually commended the government for convicting two police officers on charges of illegally detaining, beating and then raping a 21-year-old mini-bus driver while he was in police custody.<sup>54</sup> However, some observers suggest that the incident was an attempt to placate the international community and

<sup>53</sup> "Peace Treaty's Trade Tensions a Trial," *The National*, March 26, 2009.

<sup>54</sup> "Egypt: Police Officers Get Three Years for Beating, Raping Detainee," *Human Rights Watch*, November 7, 2007.

would never have come to light had Egyptian bloggers not circulated over the internet a cell phone video of the bus driver's beating.

Some Egyptian and international human rights activists have charged that U.S. human rights policy toward Egypt is hypocritical, asserting that U.S. policymakers have not adequately championed improved human rights in Egypt due to *realpolitik* considerations in the region. In addition, several reports suggest that, since the September 11, 2001, terrorist attacks, the U.S. Central Intelligence Agency has deported several suspected Al Qaeda operatives to Egypt (along with other Arab countries) in order to be interrogated and possibly tortured.<sup>55</sup> Some observers have questioned the credibility of U.S. human rights policy toward Egypt, if, on the one hand, the United States condemns Egyptian practices of torture and illegal detainment, and, on the other hand, the United States condones Egyptian government behavior when it suits the interests of U.S. national security.

## **Religious Freedom**

In its 2008 report on religious freedom in Egypt, the U.S. State Department concludes that “Although there were some positive steps in support of religious freedom, the status of respect for religious freedom by the Government declined overall during the period covered by this report.” The State Department attributes this decline to the continued failure of the Egyptian government to redress “laws and governmental practices that discriminate against Christians, effectively allowing their discriminatory effects and their modeling effect on society to become further entrenched.” Over the past year, there were several high profile incidents involving violence against Copts in Upper Egypt, most notably a May 31, 2008 assault on the Abu Fana Monastery in Al Minya province.

Although the Egyptian constitution provides for equal rights without regard to religion, in practice, discrimination against Copts, Baha'is, and other small religious communities persists at the both the official and societal levels. In Egypt, certain residual issues can trigger outbursts of sectarian violence. These include:

- Land disputes. Conflicts over land ownership have triggered a number of violent incidents involving members of different religious sects, particularly in rural Upper Egypt.
- Religious conversions. The conversion of Copts to Islam, as well as the marriage of Coptic women to Muslim men, has been a constant irritant in Muslim-Coptic relations. Converts to Christianity in Egypt also may face bureaucratic obstacles in registering their new religious status with the government. There also is the issue of forced conversions. While the 2008 State Department report states that there were no reports of forced religious conversion carried out by the government, there were (as in past years) reports of forced conversions of Coptic women and girls to Islam by Muslim men, in some cases allegedly involving kidnapping, rape, and forced marriage. The State Department notes that reports of such cases are disputed and often include inflammatory allegations and categorical denials.

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<sup>55</sup> Egypt has admitted that between 60 and 70 of its citizens have been seized abroad and flown to Egypt. See, “Inside the Dark World of Rendition,” *The Independent* (London), June 8, 2007.

- Church repair and construction. Copts have consistently complained of excessive bureaucracy when repairing or building churches. For example, the 10 articles of "Humayun," or the Humayun Code, a portion of Ottoman legislation from 1856, still controls the building or repair of churches in Egypt and is a source of great aggravation to Coptic Christians. Under this law, a license is required to erect a church. In addition, there are ten restricting conditions for the construction of churches, including a minimum distance between churches and between a church and the nearest mosque, as well as the absence of objection on the part of Muslim neighbors. In December 2004, President Mubarak issued a new decree that devolved church repair and reconstruction decisions to the provincial level and stipulated that churches would be permitted to proceed with rebuilding and repair without legal hindrance. However, permits for construction of new churches require a presidential decree.

Typically, after an outbreak of Coptic-Muslim violence, both the government and the Coptic Orthodox Church rapidly respond to ease communal tensions. However, more often than not, the Egyptian government only acts to redress the immediate causes of violence rather than the underlying symptoms. Despite being nearly 10% of Egypt's population of 81 million, Copts are not widely represented at the highest levels of Egyptian institutions. There are few, if any, Christians serving as governors, police commissioners, city mayors, public university presidents, or deans. Christians hold less than two percent of the seats in the People's Assembly and Shura Council. There are few Christians in the upper ranks of the security services and armed forces. Public funds compensate Muslim imams but not Christian clergy.

There have been reports of periodic discrimination against small minority communities of Baha'is (an estimated 2,000 Baha'is live in Egypt). However, in January 2008, an Egyptian court ruled that Baha'is may obtain state documents if they omit listing their faith on their identification cards, a move that repudiates the Muslim religious establishment's longtime refusal to recognize the Baha'i faith.

## **Women's Rights**

Although Egyptian women have played major roles in the country's drive for independence and many women currently serve in prestigious public posts, women face a number of obstacles at the legal, religious, and cultural levels. Like in many parts of the Arab world, women are underrepresented in official leadership positions. Personal status laws governing marriage, divorce, custody, and inheritance discriminate against women, particularly when it comes to divorce, as there is much societal resistance to breaking up the family unit. Domestic violence also is a major issue, as some estimate that as many as a third of all married Egyptian women have faced some form of physical abuse.<sup>56</sup> In recent years, new non-governmental organizations have started to provide services and counseling to women who may be too afraid to go to the authorities. Sexual harassment also is a daily challenge for many Egyptian women. According to a 2008 study released by the Egyptian Center for Women's Rights (ECWR, 62 percent of Egyptian men admit to sexually harassing women, and 83 percent of Egyptian women reported

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<sup>56</sup> Human Rights Watch, "Divorced from Justice: Women's Unequal Access to Divorce in Egypt," June 2004. Available online at <http://hrw.org/reports/2004/egypt1204/>.

being harassed.<sup>57</sup> Female genital mutilation (FGM) remained a serious problem because of widespread cultural acceptance, despite the government's attempts to eliminate the practice.

## **U.S. Foreign Assistance to Egypt**

Since 1979, Egypt has been the second largest recipient, after Israel, of U.S. foreign assistance. Congress typically earmarks foreign assistance for Egypt in the foreign operations appropriations bill.

### **The Debate over U.S. Assistance to Egypt**

For the past four years, Congress has debated whether U.S. foreign aid to Egypt should be conditioned on, among other things, improvements in Egypt's human rights record, its progress on democratization, and its efforts to control the Egypt-Gaza border. Some Members believe that U.S. assistance to Egypt has not been effective in promoting political and economic reform and that foreign assistance agreements must be renegotiated to include benchmarks that Egypt must meet to continue to qualify for U.S. foreign aid. Others have periodically called for restrictions on U.S. aid to Egypt on the grounds that Egypt's record on religious freedom is substandard.

The Administration, some lawmakers, and the Egyptian government assert that reducing Egypt's aid would undercut U.S. strategic interests in the area, including support for Middle East peace, U.S. naval access to the Suez Canal, and U.S.-Egyptian intelligence cooperation. U.S. military officials argue that continued U.S. military support to Egypt facilitates strong military-to-military ties. The U.S. Navy, which sends an average of a dozen ships through the Suez Canal per month, receives expedited processing for its nuclear warships to pass through the Canal, a valued service that can normally take weeks for other foreign navies. In addition, some U.S. lawmakers argue that cutting aid, particularly military assistance, harms the United States since all of Egypt's FMF must be spent on American hardware and associated services and training.

### **The FY2008 Withholding of U.S. Military Aid**

During consideration of the House version of the FY2008 State, Foreign Operations, and Related Programs Appropriations bill (H.R. 2764), and as noted earlier, lawmakers inserted new language that proposed to withhold \$200 million in Foreign Military Financing assistance (FMF) to Egypt until the Secretary of State certifies that Egypt has taken concrete steps toward improving its human rights record, strengthening judicial independence, and curbing Palestinian smuggling along the Gaza border.

Despite vociferous protests from the Egyptian government asserting that this conditionality would harm bilateral relations, Congress passed legislation that temporarily suspended some aid to Egypt. P.L. 110-161, the FY2008 Consolidated Appropriations Act, contained Section 690, which withheld the obligation of \$100 million in FMF or ESF until the Secretary of State certifies, among other things, that Egypt has taken concrete steps to "adopt and implement judicial reforms that protect the independence of the judiciary; review criminal procedures and train police

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<sup>57</sup> "In Egypt, Sexual Harassment Grows," *Christian Science Monitor*, September 23, 2008.

leadership in modern policing to curb police abuses; and detect and destroy the smuggling network and tunnels that lead from Egypt to Gaza.”

Both during consideration of P.L. 110-161 and after its passage, Egyptian officials charged that certain Israeli officials were publicly supporting congressional efforts to condition U.S. aid to Egypt in order to compel for more Egyptian cooperation in tightening control over the Gaza border. In a January 2008 interview, Egyptian Foreign Minister Ahmed About Gheit said that “Israel has succeeded in inciting the U.S. Congress, and not the U.S. Administration, by putting some sticks in the wheels of this relationship.... Some people on the U.S. side adopted the Israeli position, and the U.S. aid program (to Egypt) came to be targeted.... We succeeded in cutting Israel down to its real size as far as its talk about the tunnels is concerned.”<sup>58</sup>

Israeli leaders suggested that Egypt’s accusations were overblown. During a December 2007 Israeli Knesset Foreign Affairs and Defense Committee meeting, Israeli Foreign Minister Tzipi Livni defended the Israeli Foreign Ministry’s decision not to distribute alleged video footage of Egyptian soldiers assisting Hamas smugglers to U.S. lawmakers, stating that “Some things are done on stage, some are done in Congress, and some other things are done behind the scenes. Every move needs to be calculated. To take an extreme scenario, would you sever relations with Egypt over weapons smuggling?”<sup>59</sup>

Although the Administration ultimately waived the restrictions laid out in Section 690 of the FY2008 Consolidated Appropriations Act,<sup>60</sup> questions remain over whether congressional action successfully achieved a change in Egypt’s behavior. According to Representative Steve Israel, “From the moment Congress began circulating the language conditioning aid to Egypt, the Egyptians began to make an effort to close the tunnels.”<sup>61</sup> During and after the debate on aid conditionality, the Administration sought to broker a solution to the smuggling problem that was amenable to all parties. In late 2007, the Administration set aside \$23 million of Egypt’s annual Foreign Military Financing (FMF) toward the procurement of more advanced detection equipment, such as sensors and remote-controlled robotic devices. On June 16, 2008, U.S. Embassy in Cairo Spokesman Robert Greenan said that a U.S. (Defense Department) team had begun training Egyptian forces in using electronic equipment to detect smuggling tunnels.

## **Recent History of Congressional Action on Aid to Egypt**

Since the 108<sup>th</sup> Congress, there have been several attempts in Congress to reduce or reallocate U.S. assistance to Egypt, including the following.

### **108<sup>th</sup> Congress**

- An amendment offered on July 15, 2004, to the House FY2005 foreign operations bill (H.R. 4818) would have reduced U.S. military aid to Egypt by

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<sup>58</sup> “Egyptian FM says Israel Incited U.S. Congress to Withhold Aid,” *Ha’aretz*, January 15, 2008.

<sup>59</sup> See, “Livni, Gheit to Patch up Relationship,” *Jerusalem Post*, April 29, 2008.

<sup>60</sup> In March 2008, U.S. Secretary of State Condoleezza Rice stated that “I have exercised on behalf of the United States the waiver in terms of Egyptian assistance.... The Bush Administration sought to have that flexibility. We believe that this relationship with Egypt is an important one and that the waiver was the right thing to do.”

<sup>61</sup> “Threat To Cut U.S. Aid Opens Rift With Egypt,” *The Forward*, January 9, 2008.

\$570 million and increased economic aid by the same amount, but the amendment failed by a vote of 131 to 287.

### **109<sup>th</sup> Congress**

- An amendment offered on June 28, 2005, to the House FY2006 foreign operations bill (H.R. 3057) would have reduced U.S. military aid to Egypt by \$750 million and would have transferred that amount to child survival and health programs managed by USAID. The amendment failed by a recorded vote of 87 to 326.
- H.R. 2601, the FY2006/FY2007 House Foreign Relations Authorization bill, would have reduced U.S. military assistance to Egypt by \$40 million for each of the next three fiscal years, while using the funds to promote economic changes, fight poverty, and improve education in Egypt. There was no comparable provision in the Senate's Foreign Relations Authorization bill (S. 600).
- On May 25, 2006, the House Appropriations Committee in a voice vote rejected an amendment to cut \$200 million in military aid to Egypt during markup of H.R. 5522, the FY2007 Foreign Operations Appropriations Bill. In June 2006, the House narrowly defeated an amendment (198-225) to the bill that would have reallocated \$100 million in economic aid to Egypt and used it instead to fight AIDS worldwide and to assist the Darfur region of Sudan. Many supporters of the amendment were dismayed by the Egyptian government's spring 2006 crackdown on pro-democracy activists in Cairo. Representative David Obey of Wisconsin sponsored both amendments.
- In report language (H.Rept. 109-486) accompanying the House version of H.R. 5522, the FY2007 Foreign Operations Appropriations Bill, appropriators recommended that the Administration rescind \$200 million in cash assistance funds previously appropriated but not yet expended. The Senate version recommended rescinding \$300 million from prior year ESF assistance for Egypt.

### **110<sup>th</sup> Congress**

- On February 15, 2007, Congress passed H.J.Res. 20, the FY2007 Revised Continuing Appropriations Resolution (P.L. 110-5). Section 20405 of the act rescinded \$200 million in previously appropriated economic assistance to Egypt.
- Section 690 of P.L. 110-161, the Consolidated Appropriations Act, FY2008, withheld the obligation of \$100 million in FMF or ESF until the Secretary of State certifies, among other things, that Egypt has taken concrete steps to "detect and destroy the smuggling network and tunnels that lead from Egypt to Gaza."

## **Economic Aid**

Annual bilateral economic assistance to Egypt is provided as both a direct cash transfer to the Egyptian government and as funds for USAID programming in Egypt. In recent years, Congress has sought to specify how Egypt's economic aid would be spent, prioritizing funding for

USAID's democracy and education programs. Egypt claims that U.S. assistance programs must be jointly negotiated and cannot be unilaterally dictated by the United States.<sup>62</sup>

U.S. economic assistance to Egypt has been decreasing since 1998, when the United States began reducing economic assistance to Egypt and Israel. In January 1998, Israeli officials negotiated with the United States to reduce their economic aid and increase military aid over a 10-year period. A 3 to 2 ratio similar to U.S. aid to Israel and Egypt was applied to the reduction in aid (\$60 million reduction for Israel and \$40 million reduction for Egypt), but Egypt did not receive an increase in military assistance. Economic aid dropped in annual \$40 million increments from \$815 million in FY1998 to \$415 million in ESF in FY2008.<sup>63</sup>

Due to the Egyptian economy's strong macroeconomic growth, a growing desire for more U.S.-Egyptian trade, and a reluctance by the Egyptian government to accept "conditions" on U.S. aid, U.S. and Egyptian officials have expressed a desire to "graduate" Egypt from U.S. bilateral economic assistance. However, neither the United States nor Egypt seem to agree on how aid should be reduced over the coming decade. Egypt would like to establish an endowment to jointly fund development projects. Some analysts believe that the proposed endowment, which reportedly would be matched by the Egyptian government on a dollar-for-dollar basis, would serve as a substitute for the annual appropriations process and shield Egypt from potential conditionality agreements mandated by Congress. So far, the Administration has moved ahead with its own plans for reducing economic aid to Egypt.

For FY2009, the Administration requested \$200 million in ESF for Egypt, a notable decrease from previous fiscal years. According to the U.S. State Department's FY2009 Congressional Budget Justification, "FY2009 economic assistance funds for Egypt will decrease from the FY 2008 level, reflecting a more balanced, mature bilateral relationship consisting of foreign assistance and commercial linkages." Of the \$200 million FY2009 ESF request, \$110 million will be used for education and health projects managed by USAID; \$45 million will be used for democracy programs, including direct grants to Egyptian NGOs; and \$44 million will be provided to Egypt as a direct cash transfer to help Egypt further liberalize its economy.

## **Military Aid**

The Administration has requested \$1.3 billion in FMF for Egypt in FY2009—the same amount it received in FY2008. FMF aid to Egypt is divided into three general components: (1) acquisitions, (2) upgrades to existing equipment, and (3) follow-on support/ maintenance contracts. According to U.S. and Egyptian defense officials, approximately 30% of annual FMF aid to Egypt is spent on new weapons systems, as Egypt's defense modernization plan is designed to gradually replace most of Egypt's older Soviet weaponry with U.S. equipment.<sup>64</sup> That figure is expected to decline

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<sup>62</sup> Congress seeks to ensure that U.S. foreign assistance for Egypt is being appropriately used to promote reform. In conference report (H.Rept. 108-792) language accompanying P.L. 108-447, the FY2005 Consolidated Appropriations Act, conferees specified that "democracy and governance activities shall not be subject to the prior approval of the GoE [government of Egypt]. The managers intend this language to include NGOs and other segments of civil society that may not be registered with, or officially recognized by, the GoE. However, the managers understand that the GoE should be kept informed of funding provided pursuant to these activities."

<sup>63</sup> Egypt has periodically received supplemental aid. The FY2003 Emergency Supplemental Appropriations Act (P.L. 108-11) included \$300 million in ESF for Egypt, which was used to cover the costs of up to \$2 billion in loan guarantees issued over three years.

<sup>64</sup> According to a 2006 Government Accountability Office report, over the life of Egypt's FMF program, Egypt has (continued...)

over the long term due to the rising costs associated with follow-on maintenance contracts. Egyptian military officials have repeatedly sought additional FMF funds to offset the escalating costs of follow-on support. They point out that as costs rise, static aid appropriations amount to a reduction in net assistance. Egypt also receives Excess Defense Articles (EDA) worth hundreds of millions of dollars annually from the Pentagon. Egyptian officers also participate in the IMET program (\$1.3 million requested for FY2009) in order to facilitate U.S.-Egyptian military cooperation over the long term.

In addition to large amounts of annual U.S. military assistance, Egypt also benefits from certain aid provisions that are available to only a few other countries. Since 2000, Egypt's FMF funds have been deposited in an interest bearing account in the Federal Reserve Bank of New York and have remained there until they are obligated. By law (P.L. 106-280), Congress must be notified if any of the interest accrued in this account is obligated. Most importantly, Egypt is allowed to set aside FMF funds for current year payments only, rather than set aside the full amount needed to meet the full cost of multi-year purchases. Cash flow financing allows Egypt to negotiate major arms purchases with U.S. defense suppliers.

## FY2009 Omnibus

P.L. 111-8, the FY2009 Omnibus Appropriations Act, provides \$200 million in ESF and \$1.3 billion in FMF to Egypt. Congress stipulated that FMF grants to Egypt may be used for "border security programs and activities in the Sinai," a possible reference to anti-smuggling initiatives on the Egypt-Gaza border. ESF grants to Egypt were less than half of the FY2008 level with \$20 million earmarked for democracy programs and \$35 million for education programs including scholarships for Egyptian students with high financial need. During Senate consideration of the bill, Senator John Kyl proposed an amendment (S.Amdt. 630) to require the Secretary of State to submit a report to Congress on whether additional funds from Foreign Military Financing assistance provided annually to the Government of Egypt could be expended to improve efforts by the Government of Egypt to counter illicit smuggling, including arms smuggling, across the Egypt-Gaza border; and to intercept weapons originating in other countries in the region and smuggled into Gaza through Egypt. The amendment failed by a recorded vote of 34 to 61.

**Table 2. Recent U.S. Foreign Assistance to Egypt**  
(\$s in millions)

Fiscal Year	Economic	Military	IMET	Total
1948-1997	23,288.6	22,353.5	27.3	45,669.4
1998	815.0	1,300.0	1.0	2,116.0
1999	775.0	1,300.0	1.0	2,076.0
2000	727.3	1,300.0	1.0	2,028.3
2001	695.0	1,300.0	1.0	1,996.0
2002	655.0	1,300.0	1.0	1,956.0

(...continued)

purchased 36 Apache helicopters, 220 F-16 aircraft, 880 M1A1 tanks, and the accompanying training and maintenance to support these systems, among other items. See <http://www.gao.gov/new.items/d06437.pdf>.

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<b>Fiscal Year</b>	<b>Economic</b>	<b>Military</b>	<b>IMET</b>	<b>Total</b>
2003	911.0	1,300.0	1.2	2,212.2
2004	571.6	1,292.3	1.4	1,865.3
2005	530.7	1,289.6	1.2	1,821.5
2006	490.0	1,287.0	1.2	1,778.2
2007	450.0	1,300.0	1.3	1,751.3
2008	411.6	1,289.4	1.2	1,702.2
Total	30,320.8	36,611.8	39.8	66,972.4

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**Table 3. U.S. Foreign Assistance to Egypt, 1946-1997**

(millions of dollars)

Year	Total	Military Loan	Military Grant	I.M.E.T Grant	Misc. Economic Grant	D.A. Loan	D.A. Grant	ESF Loan	ESF Grant	P.L. 480 I	P.L. 480 II
1946	9.6	—	—	—	9.3 Surplus 0.3 UNVRA	—	—	—	—	—	—
1948	1.4	—	—	—	1.4 Surplus	—	—	—	—	—	—
1951	0.1	—	—	—	0.1 Tech Asst	—	—	—	—	—	—
1952	1.2	—	—	—	—	—	0.4	—	—	—	0.8
1953	12.9	—	—	—	—	—	12.9	—	—	—	—
1954	4	—	—	—	—	—	3.3	—	—	—	0.7
1955	66.3	—	—	—	—	7.5	35.3	—	—	—	23.5
1956	33.3	—	—	—	—	—	2.6	—	—	13.2	17.5
1957	1	—	—	—	—	—	0.7	—	—	—	0.3
1958	0.6	—	—	—	—	—	0	—	—	—	0.6
1959	44.8	—	—	—	—	—	2	—	—	33.9	8.9
1960	65.9	—	—	—	—	15.4	5.7	—	—	36.6	8.2
1961	73.5	—	—	—	—	—	2.3	—	—	48.6	22.6
1962	200.5	—	—	—	—	20	2.2	20	—	114	44.3
1963	146.7	—	—	—	—	36.3	2.3	10	—	78.5	19.6
1964	95.5	—	—	—	—	—	1.4	—	—	85.2	8.9
1965	97.6	—	—	—	—	—	2.3	—	—	84.9	10.4
1966	27.6	—	—	—	—	—	1.5	—	—	16.4	9.7
1967	12.6	—	—	—	—	—	0.8	—	—	—	11.8

Year	Total	Military Loan	Military Grant	I.M.E.T Grant	Misc. Economic Grant	D.A. Loan	D.A. Grant	ESF Loan	ESF Grant	P.L. 480 I	P.L. 480 II
1972	1.5	—	—	—	—	1.5	—	—	—	—	—
1973	0.8	—	—	—	—	—	—	—	—	—	0.8
1974	21.3	—	—	—	—	—	—	—	8.5	9.5	3.3
1975	370.1	—	—	—	—	—	—	194.3	58.5	104.5	12.8
1976	464.3	—	—	—	—	—	5.4	150	102.8	201.7	4.4
TQ	552.5	—	—	—	—	—	—	429	107.8	14.6	1.1
1977	907.8	—	—	—	—	—	—	600	99.2	196.8	11.7
1978	943.2	—	—	0.2	0.1 Narc.	—	—	617.4	133.3	179.7	12.5
1979	2588.5	1500	—	0.4	—	—	—	250	585	230.7	22.4
1980	1167.3	—	—	0.8	—	—	—	280	585	285.3	16.1
1981	1681.2	550	—	0.8	—	—	—	70	759	272.5	28.9
1982	1967.3	700	200	2.4	—	—	—	—	771	262	31.9
1983	2332	900	425	1.9	—	—	—	—	750	238.3	16.8
1984	2470.8	900	465	1.7	—	—	—	—	852.9	237.5	13.7
1985	2468.7	—	1175	1.7	—	—	—	—	1065.1	213.8	13.2
1986	2539.1	—	1244.1	1.7	—	—	—	—	1069.2	217.5	6.6
1987	2317	—	1300	1.8	—	—	—	—	819.7	191.7	3.9
1988	2174.9	—	1300	1.5	—	—	—	—	717.8	153	2.6
1989	2269.6	—	1300	1.5	—	—	1.5	—	815	150.5	1.2
1990	2397.4	—	1294.4	1.6	—	—	—	—	898.4	203	—
1991	2300.2	—	1300	1.9	—	—	—	—	780.8	165	52.5
1992	2235.1	—	1300	1.8	—	—	—	—	892.9	40.4	—

Year	Total	Military Loan	Military Grant	I.M.E.T Grant	Misc. Economic Grant	D.A. Loan	D.A. Grant	ESF Loan	ESF Grant	P.L. 480 I	P.L. 480 II
1993	2052.9	—	1300	1.8	—	—	—	—	747.0	—	4.1
1994	1868.6	—	1300	0.8	—	—	—	—	561.6	35	6.2
1995	2414.5	—	1300	1	—	—	0.2	—	1113.3	—	—
1996	2116.6	—	1300	1	—	—	—	—	815	—	0.6
1997P	2116	—	1300	1	—	—	—	—	815	—	—
Total	45669.4	4550	17803.5	27.3.0	11.2	80.7	82.8	2620.7	15923.8	4,114.3	455.1

**Notes:** Totals may not add due to rounding. No U.S. aid programs for years 1947, 1949, 1950, 1968, 1969, 1970, and 1971. P.L. 480 II Grant for 1993 includes \$2.1 million in Sec. 416 food donations.

Q = Transition Quarter; change from June to September fiscal year

\* = less than \$100,000

I.M.E.T. = International Military Education and Training

UNRWA = United Nations Relief and Works Agency

Surplus = Surplus Property

Tech. Asst. = Technical Assistance

Narc. = International Narcotics Control

D. A. = Development Assistance

ESF = Economic Support Funds

P.L. 480 I = Public Law 480 (Food for Peace), Title I Loan

P.L. 480 II = Public Law 480 (Food for Peace), Title II Grant

P = Preliminary

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