



# Egypt's Enduring Challenges

## Shaping the Post-Mubarak Environment

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David Schenker

Policy Focus #110 | April 2011



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Front cover: An Egyptian boy chants slogans as he holds a loaf of bread during a demonstration in Cairo's Tahrir Square, April 2011. (AP Photo/Khalil Hamra)

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# About the Author

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**David Schenker** is the Aufzien fellow and director of the Program on Arab Politics at The Washington Institute. Previously, he served as Levant country director, the Pentagon's top policy aide on the Arab countries of the Levant, in the Office of the Secretary of Defense; in that capacity he was responsible for advising the secretary and other senior Pentagon leadership on the military and political affairs of Syria, Lebanon, Jordan, and the Palestinian territories. Awarded the Office of the Secretary of Defense Medal for Exceptional Civilian Service in 2005, he is a highly regarded media commentator and publishes regularly in prominent scholarly journals and newspapers such as the Wall Street Journal, the Los Angeles Times, the Weekly Standard, and the New Republic.



The opinions expressed in this Policy Focus are those of the author and not necessarily those of The Washington Institute for Near East Policy, its Board of Trustees, or its Board of Advisors.



# Acknowledgments

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THIS POLICY FOCUS was originally conceived of as a paper about Egypt in transition, a project focused on the trajectory of the state at the tail end of the Mubarak era. Little did I know when I finished the first draft in November 2010 that the president's thirty-year tenure would end in a mere two months. Following the January 2011 Papyrus Revolution, I spent some time updating the essay. Despite the crush of work amid the Arab Spring, my Institute colleagues were generous with their time in assisting with this project, and I am grateful.

Many people deserve recognition for their support in the writing, rewriting, and editing of this publication. My colleague Scott Carpenter, in particular, provided valuable comments on both the pre- and post-revolution manuscripts. The study likewise benefited greatly from the insights of our in-house Egypt expert Dina Guirguis. Suggestions from Institute research director Patrick Clawson and executive director Robert Satloff also greatly improved the text. In addition to the important contributions of the senior research staff, my research assistant Andrew Engel and intern Kelli Vanderlee provided excellent and timely research support throughout the project. As always, it was a pleasure working with Mary Kalbach Horan, the Institute's executive editor.

Finally, I'd like to thank Alan and Noni Aufzien, whose generous support made this research possible.

Notwithstanding the outstanding assistance I received along the way, I alone bear responsibility for the content. Translations from the Arabic are mine unless otherwise indicated.

David Schenker  
*The Washington Institute*  
April 2011



# Executive Summary

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FOR THE PAST THIRTY YEARS, Washington has relied on Hosni Mubarak's Egypt, along with Israel, to form the foundation of its regional security architecture. While authoritarianism contributed to growing resentment and ultimately instability at home, Egypt under Mubarak was a decades-long partner, helping the United States advance its core objectives of peace and stability in the Middle East.

The January 2011 Papyrus Revolution that ended the Mubarak era was a remarkable accomplishment for Egyptians. For the United States, however, this period of political transition is characterized by trepidation as well as hope, and for good reason. Leadership changes in Egypt are remarkably rare, and two of the last three transfers of power—to Gamal Abdul Nasser and Anwar Sadat—led to dramatic shifts in Egyptian policy. We have little reason to believe this transfer of power will be different.

Given the situation today, Egypt's trajectory remains unclear. At a minimum, internal forces will exert pressure on the next government to repudiate President Mubarak's policies and recalibrate its relations with the United States. Seeking approbation across the Middle East and popularity at home, Egypt's new leadership may also consider a reorientation of foreign policy that reflects a more populist (i.e., anti-Western) bent. In short, Egypt could become like Turkey under the Justice and Development Party. No doubt, Egypt will remain a friend to the United States—and a recipient of U.S. foreign assistance dollars—but it will unlikely remain the reliable ally to which Washington has been accustomed under Mubarak.

Notwithstanding the prospect that Cairo's incoming leadership will distance itself from Washington, the new government will face a host of pressing regional and domestic policy dilemmas. At home, in particular, debilitating problems remain that, unless remedied, will continue to prompt public dissatisfaction, anger, and, potentially, further instability.

Indeed, the same forces that contributed to the Mubarak regime's ouster will continue to shape

Egyptian politics in the coming years. Atop the list of longstanding Egyptian grievances is governance. Although future complaints about governance may not imply the repression, political exclusion, and endemic corruption so closely identified with Mubarak's National Democratic Party (NDP) and its "government of businessmen," objections will not subside altogether. This is because popular frustrations in Mubarak's Egypt were linked in part to the poor delivery of services and a general perception of government incompetence. And even though the regime is gone, the security apparatus and bureaucracy that prompted these grievances remain largely in place, suggesting that governance will continue to be a source of frustration for many Egyptians.

Likewise, while the economy was not the primary impetus behind the Papyrus Revolution, it animates much of the prevailing popular discontent in Egypt. On this front too, the new government will inherit the myriad and complex problems of the ancien régime. Despite considerable economic reforms implemented by the former leadership and a consistently high gross domestic product (GDP), the wealth does not trickle down, high rates of poverty persist, significant under- and unemployment continue, damaging subsidies remain in place, and poorly trained workers still graduate from deficiently equipped schools, supplying the Egyptian labor market with unqualified candidates for jobs. For all the dramatic changes in Egypt's government, the structure of the national economy remains the same, ensuring that these frustrations will continue to shape the political and social dynamics in the state for the foreseeable future.

Foreign affairs constitute yet another area in which post-Mubarak Cairo will start with a deficit. In recent years, Egypt has seen its regional influence erode precipitously, to the point that today, on almost every front, Egypt evokes a waning power. Some of the more challenging matters with which the next Egyptian government will have to contend are relations with its neighbors, including unstable if not failing states

and territories to the west (Libya), south (Sudan), and east (Gaza).

At the same time, Cairo faces an unprecedented initiative from smaller upstream states including Ethiopia, Congo, Rwanda, and Uganda, among others, to contest the 55.5 billion cubic meters of water—nearly two-thirds of the Nile's annual flow—traditionally commanded by Egypt. Particularly important to Washington, with Mubarak out of the picture, Cairo will craft a new policy to confront—or accommodate—Damascus and a regionally ascendant Tehran, along with its terrorist minions Hamas and Hizballah.

Challenges posed by Egypt's diminished regional standing have not been resolved by Mubarak's exit. The government that succeeds him will soon have to contend with the problems just outlined and other external threats to the state. Complicating matters, all this will occur as Egypt opens itself to real competitive politics for the first time in sixty years. Even if the next government is up to the task, this "liberal experiment" is far from certain to succeed. Specifically, the military's transition plan could fail or it could instead seek to impose a modified version of the old system. And even if democracy works and liberals manage to be elected, should they fail to alleviate poverty and reform the economic system, a defeat by illiberal Islamists could result during the next elections.

As Egypt navigates its first political transition in nearly thirty years, Washington should be helping Cairo to move toward a better future in tandem with its U.S. partner. On the most basic level, this means embracing what will likely be a new government led by the liberals and investing heavily and quickly in its success, lest the Islamists—whether the Muslim Brotherhood, the Wasat Party, or the activist Amr Khaled—exploit its failure. At the same time, U.S. policy should look to capitalize on the change in leadership to help spur improvements in Egyptian governance and reinvigorate Cairo's traditional regional role.

Despite deep and continuing political and military ties, U.S. leverage with Cairo remains modest. Nevertheless, Washington can still take steps to help stabilize the new regime while simultaneously promoting

positive change for the Egyptian people. Among other things, an effective U.S. policy for this transition period in Egypt would do the following:

- **Encourage a transparent transition.** As with the revolution, Egyptians will be responsible for doing the heavy lifting to ensure the transition goes in a democratic direction. But Washington can play a role in making the process transparent, a popular demand that the military officers managing the transition appear loath to accommodate. One way to engage in this effort would be to provide funding to the National Democratic Institute and the International Republican Institute, as well as to the International Foundation for Electoral Systems (IFES), to work with Egyptian nongovernmental organizations (NGOs) during this complex period ahead. These U.S. entities have experience in providing much-needed technical expertise and can share critical lessons learned from similar transitions for which achieving maximum public buy-in was a priority.
- **Reallocate financing for civil society.** After the revolution, it will be tempting for a cash-strapped Washington to declare victory and reallocate or remove funds for democracy- and governance-related activities in Egypt. But such a move would be ill advised. Indeed, it is increasingly important now to guard against the retrenchment of authoritarianism in the state. To help prevent a counterrevolution, Washington should shift funding aggressively away from civil society organizations sponsored by the former regime (GONGOs) to local organizations not hand-selected by the Mubarak government. In addition to funding civil society organizations dedicated to promoting democratic development, Washington should focus on funding other noncontroversial endeavors, such as fighting corruption, a scourge estimated to have cost Egypt nearly \$58 billion between 2000 and 2008.
- **Defer cuts in aid.** At about a quarter of a percent of Egypt's GDP, Washington's financial commitment is more symbolic than influential, but it still

does tie Egypt to the United States. Provided that a process of real political reform continues, Washington should maintain its assistance at Mubarak-era levels. Of particular importance is continued U.S. funding for the Egyptian military, one of Washington's few sources of true leverage in the state. Along these lines, Washington should be prepared to offer immediate additional humanitarian and economic assistance for the people of Egypt. While provision of wheat alone will not likely succeed in burnishing the U.S. reputation, it will go a long way toward reestablishing a positive connection between the United States and the Egyptian people. Washington can further demonstrate its commitment to the people of Egypt by helping track down and repatriate the ill-gotten assets of former regime cronies.

- **Emphasize government performance.** The events that led to the current revolution were rooted in the poor governance of the former regime. Washington has an interest in seeing the new government succeed where Mubarak failed, particularly in helping foster trickle-down in the Egyptian economy. Most important for the new government will be addressing poverty. Rather than just distributing subsidies, Cairo should be encouraged to empower Egypt's destitute masses by creating higher-paying jobs and improving the overwhelmed and underperforming education system. During this period, Washington should reorient U.S. assistance away from fiscal-sector reform to meeting the basic needs of impoverished Egyptians. If a secular liberal government does not succeed, the sentiment could grow that "Islam is the solution." In the near term, this may mean deferring further economic reforms. Given the potential for Islamists to capitalize on the mistakes of a failed first-term liberal government, now is not the time to worry about eliminating subsidies.
- **Support liberal democracy.** The Obama administration should make clear that the United States seeks to promote democracy and liberal democrats. Indeed,

the gains of the revolution will only be consolidated if those committed to lasting democracy win. And Egypt's Muslim Brotherhood hardly qualifies as a supporter of liberal secular democracy. Recognizing Washington's limited influence in determining the rules of this transition, the Obama administration can help level the political playing field by, for example, supporting an extension of the transitional phase. The United States should also look to promote reform in Egypt's security sector, where the state security apparatus has long functioned under undemocratic conditions. Perhaps most important, though, Washington must continue to be engaged in Egypt's political developments. Even though Egypt's liberals stand to do well in the first post-Mubarak elections, they must deliver—including by establishing democratic institutions—or else the Islamists may win the second contest.

- **Reestablish Egypt as a regional actor and shore up the bilateral relationship.** Washington and Cairo have traditionally shared a broad range of regional concerns and interests that underpin the long-term strategic relationship. In recent years, however, as Egypt's regional influence has waned, Washington and Cairo have increasingly struggled to pursue a shared regional vision. Egypt, the United States, and the international community would be well served by Cairo playing a reinvigorated regional role, perhaps beginning with Sudan, Libya, and Gaza. Helping to stabilize these neighboring states through political or military means would not only improve Egypt's regional standing—at Tehran's expense—it would also prevent potentially dangerous spillover into Egypt itself. At the same time, Washington will have to rise to the challenge of maintaining a good working relationship with a new Egyptian government whose credibility, at least in part, will rest on its repudiation of Mubarak's pro-Western policies. This will be no mean feat, as the new Egypt stands a good chance of looking like Turkey—minus, at least for now, the Islamist aspect—an important, albeit unreliable, friend.

Although maintaining close relations with the new Egypt will entail obstacles, Washington must find ways to clear them, especially given the strategic realignment of Turkey, a surging Iran, and the widespread regional perception that the United States is withdrawing from the Middle East. The trajectory of the revolution in Egypt may well look promising, but its continued success is far from assured. Considering the remarkable events in Tunisia, Libya, Syria, and throughout the Arab world, it will be difficult to maintain focus on developments in Egypt. Yet, more than ever, Washington must stay actively involved.

Egypt is a regional bellwether—the most populous Arab state and formerly the most influential. If the democratic experiment succeeds there, other states in transition will fall into place. The Papyrus Revolution was a remarkable achievement for the people of Egypt, but the hard work of consolidating democracy remains to be completed. Washington has a strong interest in the outcome and should not pretend otherwise. Its influence should be used to help Cairo manage change while maintaining stability. The fate of more than 80 million Egyptians, and quite possibly the region as a whole, depends on it.

# Introduction

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THE END OF 2010 AND BEGINNING of 2011 marked a watershed for the Middle East. Revolutions in Tunisia, Egypt, and Libya—and the attendant unrest directed toward other autocrats and their corrupt and cruel regimes—shook the region to its core, raising popular expectations and challenging status quo politics. While the longer-term trajectory of these developments remains unclear, the uprisings and their reverberations are the region’s most consequential such events since 1979, when the Islamic Revolution ushered in theocratic rule in Iran.

Among these remarkable developments, the toppling of Egyptian president Hosni Mubarak stands out. While Mubarak’s tenure in office did not match the longevity of Libyan strongman Muammar Qadhafi or the brutality of Tunisian president “for life” Zine al-Abidine Ben Ali, compared with other regional shifts, the ramifications of regime change in Cairo are potentially more profound. With 83 million people, Egypt is the most populous Arab state and historically has served as a regional trendsetter.

More important still, Egypt has served as a pillar of Washington’s security architecture in the Middle East since the late 1970s. What happens in Egypt will have an impact both on the region and on U.S. interests. In the short term, it is not clear that Washington will benefit.

Leadership changes in Egypt are remarkably rare. Since gaining independence from the British in 1952, Egypt has had only three leaders: Gamal Abdul Nasser, Anwar Sadat, and, for the past thirty years, Hosni Mubarak. Two of the last three transfers of power—to Nasser and Sadat—led to dramatic shifts in Egyptian policy. And we have little reason to believe the present transfer of power will be different.

Regardless of who inherits the Mubarak mantle, Egypt’s next government will face a host of regional and domestic policy dilemmas, and the pressure to solve these problems will be intense. Significant internal pressure will also be exerted on the next government to repudiate the policies of the longtime

president. In short, whether Egypt’s next government is liberal, Islamist, or some combination of the two, it will almost certainly look to recalibrate its relations with the United States. No doubt, Egypt will remain a friend—and a recipient of U.S. foreign assistance dollars—but it will unlikely remain the reliable ally to which Washington has become accustomed under Mubarak.

At the same time, a democratic Egypt would presumably have a foreign policy based on national consensus rather than the dictates of a few, making that policy more sustainable. The Mubarak regime was remarkably timid on foreign affairs, having made little effort to project Egyptian influence beyond its borders. Perhaps a democratic government would be bolder.

Notwithstanding the possibility that Cairo will distance itself from Washington, the toppling of Mubarak was a remarkable achievement for Egyptians. Yet the success of the democratic project is far from assured. Specifically, the military’s transition plan could fail or it could instead seek to impose a modified version of the old system. Even if the democratic experiment works and liberals do manage to be elected, their failure to alleviate poverty and reform the economic system could result in a defeat by illiberal Islamists during the next elections.

As Egypt navigates this transition, Washington should be helping to move Cairo toward a better future in tandem with its U.S. partner. The hard work of consolidating democracy in Egypt is just beginning, but the stakes could not be higher. Egypt is a regional bellwether: if things go well there, other states in transition will fall into place.

The new Egypt will face enduring challenges in the coming years. Mubarak may be gone, but debilitating problems remain that, unless remedied, will continue to prompt public dissatisfaction, anger, and, potentially, instability. This study attempts to describe some of the more pressing issues facing Egypt as it enters its first period of political transition in a generation. While many of these problems are viewed as products

of the former regime, in reality they have become endemic to Egypt and will continue to shape national politics regardless of who holds power.

To provide a sense of the scope of challenges associated with Egypt's transition, this monograph covers a broad range of topics. Chapter 1 discusses problems of governance, including corruption, incompetence, and institutional prejudice. Chapter 2 looks at local politics, the longtime monopoly held by Mubarak's party machine, and the landscape and prospects of the opposition that engineered the revolution. Chapter 3

provides an overview of the Egyptian economy, perhaps the most intractable of the myriad troubles on the new government's slate. Chapter 4 deals with Egypt and the Middle East, including the nation's unstable neighbors, emboldened rivals, and relations with Israel. Chapter 5 discusses the future trajectory of U.S.-Egypt relations. And finally, Chapter 6 offers policy recommendations for how Washington can best approach this sensitive period of transition to preserve the partnership with Egypt and protect U.S. interests in the region.

# 1 | Frustrations with Governance

WHILE THE PAPYRUS REVOLUTION was undoubtedly driven by a broad range of grievances, the demonstrators' immediate target was Egypt's governance. Decades of misrule and repression had contributed to unprecedented expressions of popular dissatisfaction against the authoritarian regime. Frustration in Egypt had few channels for expression, fueling a sense of powerlessness. The upheaval in Tunisia provided the spark that ultimately mobilized Egyptians to surmount their fears, exposing a brittle Mubarak regime. Excesses by the security apparatus and other governance missteps by the National Democratic Party (NDP) had only exacerbated a vicious cycle, depleting Egyptian's legendary reservoir of patience.

Notwithstanding a postrevolution process of “de-Baathification,” in which certain members of the former regime are being held to account for corruption, incompetence, brutality, and other excesses, governance problems will almost certainly continue to vex the new government. Given extremely high expectations among Egyptians in the post-Mubarak era, such carryover problems will likely constitute a significant source of frustration for the population, affecting political dynamics.

## Governance

Egypt's dismal human rights and governance record under Mubarak has been well documented by multiple international nongovernmental organizations (NGOs). Freedom House, for example, described Egypt as “not free”; Amnesty International noted that laws in the state “facilitate[d] arbitrary detention, torture, and unfair trials”<sup>1</sup>; Transparency International ranked Egypt 111 out of 180 countries in its corruption perception index.<sup>2</sup>

Despite a calculated effort by the Obama administration to hit the reset button and end the bilateral tensions that prevailed during the Bush presidency, including initially avoiding comment on Egypt's democratic politics, it too eventually joined the chorus. In July 2010, Secretary of State Hillary Clinton

referred to Egypt as a state employing a “steel vice... slowly crushing civil society and the human spirit.”<sup>3</sup> The secretary's speech lumped Egypt together with North Korea, China, and Russia.

Egyptian governance problems are rooted in the 1981 emergency law—passed following the assassination of President Anwar Sadat by Islamic militants—which gave the state carte blanche to incarcerate individuals without charges, detain prisoners indefinitely, and curtail freedom of expression and assembly. In 2010, despite popular protests at home and censure from abroad, the Mubarak regime extended the law.

Knowing the emergency law had become a source of embarrassment for Egypt internationally, but unwilling to give up the legal foundation it provided domestically, in 2007 the government incorporated its most draconian provisions directly into the constitution. The amended Article 179 of the Egyptian constitution gave the regime broad authorities in terrorism-related cases to bypass due process, try suspects in military courts, and violate privacy protections.

Prior to the demonstrations that shook the state, the regime had been poised to assimilate the powers incorporated in Article 179 into a supposedly less offensive antiterrorism law. When Mubarak was pressed by the protesters—and just before his resignation—he vowed to revise Article 179. It was only after the president's ouster that Egypt's High Military Council, just before instituting martial law, issued a communiqué pledging to scrap the hated emergency law.<sup>4</sup>

## Political Exclusion

The combined aim of the robust legal framework encompassed by the emergency law and Article 179 was to ensure that no person, group, or organization could mount any sort of challenge to the state, which until February 2011 had remained the monopoly of the ruling NDP. Islamists and liberal reformers alike were systematically excluded through constitutional clauses from meaningful participation in Egyptian politics. As one leader of the pro-democracy Kefaya movement

observed, these constitutional conditions were so onerous that they required opposition candidates to extract “milk from a pigeon.”<sup>5</sup>

Compounding legal barriers to participation, elections in Egypt were neither free nor fair. During the 2005 presidential elections, al-Ghad Party leader Ayman Nour, the only candidate beside Mubarak on the ballot, was imprisoned on what are widely believed to have been fabricated charges.<sup>6</sup> The parliamentary elections that followed two months later also lacked transparency, and although the Muslim Brotherhood (MB) won 20 percent of the seats, widespread irregularities prompted many to question the results.

Indeed, after the MB had performed so impressively in the parliamentary elections, it strained credibility that two years later, the party failed to garner a single seat (out of 88 seats up for grabs) in the Shura Council elections. All told, as of December 2010, when the military dissolved the parliament, the MB controlled not one of the 508 seats in Egypt's upper house. As for the 2008 municipal elections, they too reflected the government's track record of manipulation.

In the prelude to those local elections, the MB planned to run 10,000 candidates for the 53,000 available seats.<sup>7</sup> But in the weeks before the election, Cairo undertook a sweeping campaign of arrests, incarcerating at least 150 Brotherhood candidates. By April, the harassment, arrests, and bureaucratic delays had taken their toll: fewer than 25 of the Brotherhood's 10,000 candidates had managed to get on the ballot. Days prior to the voting, the Brotherhood announced that it would boycott the election. The NDP—running virtually unopposed, with only 1,221 nonregime candidates on the ballot—secured well over 90 percent of the seats.

In addition to political harassment, Egypt's Islamists—as well as the secular opposition—were subjected to routine human rights violations, including torture, extrajudicial killings, the absence of due process, and a denial of freedom of assembly. The dissemination of such incidents on the internet contributed to the spike in outrage that eventually led to revolution in Egypt.

## Depoliticization and Public Anger

Limits on political participation combined with human rights violations represented a significant source of grievance for Egyptians, but these realities also alienated Egyptians from the political process. Only a reported 5 percent of Egyptian voters turned out for the June 2010 Shura Council elections.<sup>8</sup> The systematic exclusion of opposition candidates from parliament and policymaking undermined the credibility and effectiveness of Egyptian institutions, a trend exacerbated by Mubarak's history of humiliating members of Egypt's legislative bodies.<sup>9</sup> Instead of contesting the vote, Egyptians abandoned the electoral process in favor of other methods of social and political action.

A contributing factor to frustration with NDP politics and the regime was increasing awareness among the population—perhaps thanks to new media sources—of the excessive force used by the government to repress political dissent. This heightened awareness was showcased following the murder on June 7, 2010, of a twenty-eight-year-old Alexandria businessman named Khaled Sayyed by security officials. Images broadcast on Facebook and a gruesome YouTube video provoked such an outcry in Egypt and abroad that Gamal Mubarak—the president's son and at one time his heir apparent—took the unprecedented step of making a public statement, touting the NDP's insistence on the “accountability of any wrongdoer within the framework of justice, transparency and the rule of law.”<sup>10</sup> Following an earlier episode in November 2009 involving the arrest and torture of three members of the April 6 opposition movement, Gamal reportedly opened a “dialogue” with the group.<sup>11</sup>

Whether a product of increased reporting or an uptick in violent incidents, the Egyptian state security apparatus had come under unprecedented public scrutiny at the same time that political and labor-related protests were on the rise. Not only did these protests reflect heightening popular frustration, Egyptians' increased willingness to demonstrate suggested a diminished fear of possible consequences. Regime efforts at damage control were woefully ineffective at countering the new media. The Facebook page established for Khaled

Sayed eventually proved a galvanizing force in the demonstrations that toppled the regime.<sup>12</sup>

## Protests and Strikes Proliferate

The combination of increasing poverty, under- and unemployment, diminishing subsidies, corruption, rising expectations, and government incompetence ultimately proved explosive.

In 2008, rising global prices for wheat and rice had a particularly harsh impact in Egypt, where the government has long subsidized bread, a staple of the Egyptian diet. Until the crisis, low bread prices had created soaring demand among not only the poor but others as well. Farmers reportedly purchased bread—which was less expensive than feed—for their livestock.<sup>13</sup> Worse still, bakeries gleaned more of a profit by selling flour received almost for free than by actually baking bread. In effect, the government subsidy policy was promoting corruption and inefficiency.

Then, over the course of a few months, the cheapest subsidized loaf of bread doubled in price from five to ten piasters (one to two cents). In March 2008, nearly a dozen Egyptians were killed in fights while waiting in three-hour lines for the increasingly scarce commodity. Although the more expensive, unsubsidized bread remained widely available, it cost up to ten times as much as the cheaper loaves, making it prohibitive for most Egyptians.

Responding to the public outcry, President Mubarak announced in late March 2008 that the military would take control of baking subsidized bread. He also banned the export of rice, another staple for which the international price had doubled in the months leading up to the crisis.

The increase in bread prices sparked widespread protests in al-Mahalla al-Kubra, the epicenter of Egypt's textile industry, where wages in government-owned factories remained tied to pay rates established in the 1980s. At the heart of workers' demands was a tenfold increase in monthly salary, but they also sought greater security regarding their jobs and pensions, both of which had become increasingly uncertain due to government efforts to privatize largely unprofitable state-owned industries.

In the days leading up to the April 8, 2008, municipal elections, the al-Mahalla protests turned violent. Egyptian police arrested large numbers of protesters and used live ammunition and rubber bullets to suppress the riots, killing a teenager and wounding hundreds. The demonstrations produced stunning and then-unprecedented images of workers pulling down—and trampling—a giant poster of Mubarak. In an effort to defuse the situation, the government announced on Election Day that it would give the workers an extra month's salary.

The al-Mahalla events were not an isolated example of worker discontentment but rather the culmination of nearly a decade of labor strikes and work stoppages geared toward increasing depressed wages. Between 2004 and 2008, the state witnessed some 1,900 strikes and protests involving more than 1.7 million Egyptians.<sup>14</sup> In 2009 alone, nearly 800 strikes were held. The year started with a strike of 55,000 railway workers that left Egyptian tracks quiet—and passengers stranded—for hours. Over the rest of the year, lawyers, tax collectors, quarry workers, truck drivers, and health employees also stopped work to win government concessions.

Events during the summer of 2009 paint a picture of rising dissatisfaction and employee ferment. In June, hundreds of postal workers converged on Cairo to demand improved working conditions and wage parity with employees of the Egyptian Telecommunications Company.<sup>15</sup> At about the same time, journalists from *al-Badil*, *al-Shaab*, and *al-Masaya* petitioned the government—appealing to then NDP secretary-general Safwat al-Sharif directly—to raise salaries, stem layoffs, and reverse legislation designed to merge newspapers.<sup>16</sup> In August, dozens of physicians from the Association of Young Doctors gathered on the steps of the Doctors' Union to demand an increase in salary from three hundred to a thousand Egyptian pounds (LE) per month.<sup>17</sup>

Nothing indicates that this trend toward collective action will subside now that the Mubarak regime is gone. In fact, the week after he was deposed, Egyptian workers ignored calls from the military to return to their jobs and launched dozens of labor strikes, in industries ranging from banking to textiles to steel,

as well as the postal service and ports. A continually mobilized population could help press for real political reforms in the future, but it could also prove a further drag on an already struggling economy.

Concerned about the ongoing threat of disruption posed by these protests, in March Egypt's new cabinet approved a decree criminalizing strikes, protests, demonstrations, and sit-ins that have an impact on the economy.<sup>18</sup> This decision is certain to be unpopular.

### **Governance and the Coptic Community**

Another significant aspect of the Mubarak regime's misrule was its systemic discrimination against Egypt's Christians. Once a majority, Coptic Christians today constitute but 10 percent of Egypt's population, or about 8 million citizens. The community has long been integrated into Egyptian society, but it suffered political marginalization after Gamal Abdul Nasser's 1952 coup. And although Copts have since served in prominent positions such as minister of finance and foreign affairs, they have not held the premiership—a position they did occupy twice prior to 1952—or served as minister of defense or interior. During Mubarak's tenure, the group was also dramatically underrepresented in parliament, with only 6 of 444 parliament members belonging to the sect between 2005 and 2009—of whom only one was actually elected rather than appointed by the president.

Many Copts accused the Mubarak regime of persecuting, or at least not protecting, Egypt's dwindling Christian population, a claim fueled by the absence of any timely and effective official response to the Islamist violence targeting the community in the 1990s. Dozens of Copts were killed in each year of the decade, peaking at more than sixty in 1997. These murders, perpetrated by al-Gamaa al-Islamiyah (Egyptian Islamic Group), were accompanied by a spike in attacks on Egyptian police and foreign tourists, culminating in the November 1997 massacre of sixty-three tourists in Luxor.

The attack in Luxor proved to be the group's last flourish, however. Decimated by government security measures, al-Gamaa's imprisoned leadership renounced violence that same year. By 1998, the situation had improved so much for the Copts that the Coptic Pope

Shenouda III—who had called out the regime in 1994 for its failure to protect the community—declared that they can no longer subject to persecution. Indeed, despite some notable incidents (e.g., anti-Christian riots in Alexandria in 2005; a 2008 mob attack on a Coptic church in Cairo), the past decade saw diminished sectarian violence in Egypt.

But in the past year or so, attacks against Copts have once again spiked. The year 2010 started especially badly for the embattled community. In January, six Christians were killed and eleven wounded in an attack on a church in Naga Hammadi, a town in the Qena governorate. The attack was in retaliation for the alleged rape of a twelve-year-old Muslim girl by a Christian man—an allegation that routinely precedes sectarian violence—and marked the worst assault on Copts in Egypt since a January 2000 massacre left twenty dead in Sohag.

The murders in Naga Hammadi did not come without warning. Indeed, in response to threats associated with the alleged rape, the church in question had reportedly been placed under police protection. The day after the attack, thousands of Copts gathered at the morgue to protest the lack of effective protection and to collect the bodies. There, they clashed with security forces, and six more Copts were killed. Police subsequently announced that three suspects had been apprehended in connection with the initial killings, but the news did little to assuage Copts' anger.

The official response had equally minimal effect. During testimony before a joint meeting of the Defense and National Security and Religious Affairs committees of parliament, Qena's provincial governor—a Mubarak regime appointee named Magdy Ayoub—claimed that the killings in Naga Hammadi were “not religiously inspired.” Rather, he said, they were motivated by the rape and by anger over reports of Christians downloading pornographic pictures of Muslim women on their cellphones.<sup>19</sup> Equally discomfiting was the suggestion by perennial NDP speaker of parliament Fathi Srour that the killings were not indicative of a local problem but rather evidence of “the presence of foreign hands...looking for an opportunity to shake Egyptian security.”<sup>20</sup>

In March 2010, just two months after the Naga Hammadi outrage, Egyptian Christians were again targeted, this time in Lower Egypt. Some three hundred Muslims in Marsa Matruh, reportedly encouraged by a local imam on a government salary, initiated an anti-Christian riot. Apparently, the construction of a church had impeded access to a mosque, leading the cleric to call for jihad against the “infidels.” Nineteen Christians were injured and nine homes were destroyed in the resulting melee.<sup>21</sup>

Even more recently, on January 1, 2011—almost a year after Naga Hammadi—twenty-three Copts were killed in a church bombing in Alexandria. Notwithstanding President Mubarak’s forceful condemnation of the act and pledge to bring the perpetrators to justice, Copts responded to the attack by staging demonstrations in several cities, demanding not only protection but also an end to institutionalized and legal bias against Copts that created a hostile and often dangerous environment. In short, many Copts concluded that the Mubarak regime—as much as Islamist extremism—was responsible for the increasingly tenuous condition of Egypt’s Christians.

This perception of the regime’s role with respect to the Christian community was shared and documented by several international organizations, including the U.S. Commission on International Religious Freedom, which noted as follows in its 2010 report:

The Egyptian government has not taken sufficient steps to halt the repression of and discrimination against Christians and other religious believers, or, in many cases, to punish those responsible for violence or other severe violations of religious freedom. This increase in violence, and the failure to prosecute those responsible, fosters a growing climate of impunity.<sup>22</sup>

Lacking avenues to redress these problems, Egypt’s Copts have traditionally sought to avoid conflict with the state. Indeed, because Coptic Christians viewed the Mubarak regime as preferable to its presumed Islamist alternative, they had, until recently, proved a pillar of support for Cairo.

Even during difficult times, the community’s defense of the government has bordered on sycophantic. To

wit, in summer 2009, Pope Shenouda III endorsed the presidential candidacy of Mubarak’s son, declaring at one point that “most Egyptians love Gamal Mubarak and they will vote for him ahead of any other candidate.”<sup>23</sup> Perhaps most telling, in early February 2011—during the height of the demonstrations demanding Mubarak’s resignation—Pope Shenouda III issued a statement calling on Egyptians to end the protests.<sup>24</sup>

It is unclear whether the problematic treatment of Egypt’s Coptic minority will persist in the post-Mubarak era. Notwithstanding Pope Shenouda’s proscription, Copts constituted a significant presence in the revolution, leading some Egyptians to conclude that it represented a “real turning point and opportunity for Egypt...to build a civil state that extends equality to all its citizens regardless of religion.”<sup>25</sup>

Though little time has passed since Mubarak’s exit, the revolution has not proved a panacea for Copts. On February 22, a state security court in Qena acquitted several of the suspects in the Naga Hammadi massacre, suggesting the culture of impunity continues. Then, in March, a Coptic church in the village of Soul was burned down after a Christian man was alleged to have had an affair with a Muslim woman. During a subsequent demonstration, Copts were attacked by Muslims and thirteen Copts were killed.

## Incompetence

Popular frustrations in Mubarak’s Egypt were linked in part to the poor delivery of services and a general perception of government incompetence. In 2009, for example, responding to a feared outbreak of swine flu, Cairo ordered the slaughter of some 350,000 pigs. The hogs, owned by Christians, had previously served an important role as consumers of Cairo’s organic waste. Ultimately, the killing of the swine contributed not only to a mounting trash problem in Egypt’s capital but also possibly to an increase in the cost of beef.

Unsurprisingly, many Egyptian Christians were incensed at the massacre, which all but ended the livelihood of a community. Adding insult to injury, the government only paid Christians 100 LE or \$20 compensation per pig, well under market value. The worst part of the incident, however, was that the World Health

Organization deemed it “entirely unnecessary.”<sup>26</sup> After all, at the time the decision was made, not a single case of swine flu had been reported in Egypt.

The ill-advised government decision to slaughter the pigs caused secondary problems, including the previously noted garbage crisis in Cairo, which apparently occurred when a foreign company contracted by the government went on strike.<sup>27</sup> Putting aside the question as to why Cairo's garbage collection was subcontracted to an Italian company, without the pigs to eat through the solid waste, the refuse piled ever higher and deeper over the course of several weeks.

Perhaps the most glaring example of the former government's inability to cope effectively with Egypt's problems, however, is Cairo's atrocious traffic. Substandard public transportation, aging roads, and a bulge in the number of cars entering the city every day have made getting around Cairo a nightmare. This is so much the case that, years ago, a rumor circulated that the government was considering moving its administrative offices out of downtown. With infrastructure crumbling and crowding becoming increasingly unbearable, quality of life has declined for many Cairenes.

The Mubarak government's response to the crisis, a program called Cairo 2050, sought to raise the standard of living in the capital city and restore Cairo to its previous splendor. Perhaps not surprisingly, this ambitious government project quickly became the butt of jokes. As one satirist wrote shortly after the plan was unveiled, “Demanding from us to wait forty years until [Cairo] is developed! Surely, by this time, we will all be with Allah.”<sup>28</sup>

## Corruption

A leading source of popular frustration with the Mubarak regime was the corruption so closely identified with the NDP's “government of businessmen.” At the most basic level, this meant having to pay *bakshesh* (i.e., bribe officials) to accomplish even routine tasks. According to one survey, 45 percent of Cairo businessmen said they had to “offer illegal payments or presents” to obtain necessary business licenses.<sup>29</sup>

The Mubarak regime had an institutional aversion to tackling the endemic corruption. At a November

2009 meeting in Doha, Qatar, to discuss a new mechanism to monitor implementation of the legally binding UN Convention against Corruption (UNCAC), Egypt was one of five states to oppose proposals designed to ensure that signatories abided by their commitments.<sup>30</sup> Among other measures, Egypt, along with China, Russia, Zimbabwe, and Pakistan, pushed the UNCAC to adopt language enabling governments to opt out of peer monitoring and to exclude civil society from the assessment process.

Perhaps more offensive to average Egyptians, however, was the employment of *koosa*—literally “zucchini” in Arabic, but referring in the vernacular to operating through connections or bribery—among the ruling elite. This ranged from the widespread perception that high-ranking NDP official Ahmed Ezz had a legally sanctioned monopoly on steel rebar in Egypt to the understanding that those NDP members with *koosa* would not be held accountable in the legal system for high crimes and misdemeanors alike.

While the judiciary is one of Egypt's more respected institutions—in 2005, for example, judges won national acclaim for refusing to certify fraudulent elections—public confidence in the system slumped during the Mubarak years owing to executive intervention in the judicial process. In 2009, Egypt's second highest ranking jurist resigned in protest against this very practice. During an interview after his resignation, Judge Mahmoud el-Khodary lamented the state of the judiciary, making an apparent reference to the regime's preferred jurist, Adil Abdel Salam Gomaa. “Ticklish cases, known as cases of public opinion,” el-Khodary said, “are repeatedly referred to particular judges to guarantee that rulings will be passed favorable to the executive.”<sup>31</sup>

In April 2010, for example, an Egyptian state security court sentenced twenty-six men linked to Lebanese Hizballah to lengthy jail terms for plotting attacks against Suez Canal shipping and Israeli tourists in the Sinai. The ruling was issued by Gomaa, who earlier had delivered harsh verdicts against pro-democracy activist Saad Eddin Ibrahim and Ayman Nour, a former parliamentarian who in 2005 had the temerity to challenge then four-term president Hosni Mubarak in national elections.

## The Case of Hisham Talaat Mustafa

Perhaps no case better encapsulates the incestuous and corrupt nature of politics and business during Mubarak's era than that of Hisham Talaat Mustafa, an Egyptian business magnate accused of contracting the 2008 murder of his former paramour, Lebanese diva Suzanne Tamim. In the spring of 2009, salacious details of the blockbuster trial mesmerized the entire region. Not only was Mustafa a member of parliament who served on the Policy Secretariat of President Mubarak's ruling NDP, he was also reportedly a personal friend of the president's son Gamal.

The central question was whether Mustafa, given his wealth and connections, would receive a truly fair trial in an Egyptian judicial system notoriously manipulated by the authoritarian regime. The case appeared to be a slam dunk. According to the prosecutor, Mustafa paid the assassin—a former Egyptian security official—\$2 million to kill his lover, who had recently ended the relationship and was residing in Dubai. Authorities in Dubai identified the alleged hit man, who in turn implicated Mustafa by confession following his arrest in Cairo. The evidence included surveillance videos and recorded phone conversations between Mustafa and the killer.

In an effort to stifle the story, a gag order was initially placed on the trial. But after two local newspapers released the details, the government instead decided to showcase the trial as an example of the state's "independent" judiciary. Indeed, then NDP media affairs secretary Ali Din Helal pointed to the 2009 indictment of Mustafa as proof that "the ruling party knows no cronyism and that nobody in Egypt is above the law."<sup>32</sup> In May 2009, Mustafa along with the hit man were sentenced to death.

In March 2010, however, Egypt's highest court threw out the guilty verdict based on alleged procedural errors and ordered a retrial. This reversal came as little surprise. The outcome of the retrial—the commutation of Mustafa's death sentence to fifteen years in prison—provided little shock either, particularly given that Egyptian government-employee witnesses had reversed their testimonies.<sup>33</sup> But the sentence of fifteen years was also unprecedented, considering that a guilty

verdict would have called for execution whereas a declaration of innocence would have meant Mustafa could go free.

Although many Egyptians were pleased to see Mustafa get jail time, his conviction did little to restore the average citizen's confidence in the state's judiciary—or to reassure the public that all are equal before the law. Driving home this point, in September 2010—just weeks after the verdict—the government announced that it was overturning an unfavorable ruling by the Supreme Court affecting Mustafa's holding company, the Talaat Mustafa Group (TMG). Earlier that month, the Supreme Court had invalidated TMG's purchase of government lands through a contract awarded without competitive bidding and at submarket prices. TMG stock plunged 16 percent with the verdict but rebounded after the government's reversal allowed Mustafa's company to proceed with its Madinaty project, a gated community surrounding lush golf courses located conveniently on the Cairo-Suez road.<sup>34</sup>

In the case of Madinaty, the court system appears to have acted appropriately, only to be overruled by the governing elite. For his part, Mubarak routinely interfered in the court system, penalizing independent judges when they challenged the prerogatives of his regime. Back in 2006, for example, the regime removed a Court of Cassation judge and submitted him for disciplinary action after he issued rulings confirming fraud by NDP candidates in the 2005 elections.

Such problems apply only to those lucky enough to get into the civilian system. In March 2010, an Egyptian blogger who wrote about corruption in government institutions found himself on trial in a military court, an occurrence that Amnesty International declared a "breach of international fair trial standards."<sup>35</sup> The case was ultimately dismissed—after the blogger apologized and removed the offensive posting—but the incident had a chilling effect on would-be regime critics.

To many Egyptians, the Hisham Talaat Mustafa case represented the culture of corruption among the ruling elite.<sup>36</sup> With the notable exception of Egypt's richest businessman, Nagib Saweris, most of the state's business elite were closely aligned with and profited

handsomely from their association with the NDP.<sup>37</sup> The highest profile example of the unseemly relationship between the NDP and the business community was that of Ahmed Ezz, the steel industry magnate who served as a member of the NDP's nine-member Policy Secretariat, chairing the budget and planning committee in parliament.

Although a two-year investigation by a government watchdog organization found that Ezz—who controlled some 58 percent of the Egyptian steel market—was not in violation of the state's 2005 antimonopoly legislation, many remained skeptical of the inquiry's integrity.<sup>38</sup> Indeed, until just five years ago, the Mubarak regime had levied tariffs of 20 percent

on imported steel, effectively protecting Ezz's ever-increasing market share. The levying of stiff fines on cement executives for monopolizing their industry did little to inspire confidence in the integrity of Ezz's official vindication.

In the immediate aftermath of Mubarak's resignation, Ahmed Ezz was among the first NDP officials to be arrested for the illegal accumulation of wealth and the squandering of state funds. A top symbol of Mubarak regime corruption, Ezz is all but assured to be prosecuted severely. Hisham Talaat Mustafa would likely have faced a similar fate had he not escaped from prison during the tumult of the revolution. His current whereabouts are unknown.

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AS THE AHMED EZZ AND Hisham Talaat Mustafa examples amply show, the narrative propagated by the National Democratic Party (NDP) of a government run by technocratic and competent businessmen was not widely embraced in Egypt. Instead, despite overwhelming obstacles, a dedicated opposition developed over the years. While fragmented, infiltrated, and periodically brutalized by the government, secular and Islamist dissidents protested, remonstrated, signed petitions, and worked to embarrass the authoritarian leadership. These adversaries of the NDP hoped to capitalize on popular anti-regime sentiment, even as the security state continuously targeted them as emerging political threats.

To many, the Papyrus Revolution seemed a spontaneous uprising triggered by events in Tunisia. In reality, however, the opposition had been building toward these demonstrations for years, with its momentum supported by the increasing prevalence of routine social and political protests against the state. For the regime, containing and suppressing the opposition was becoming ever more costly. As Egypt moves forward, this striking and unprecedented display of people power will serve as a sword of Damocles for underperforming Egyptian governments and security services prone to excesses.

### The NDP and Its Critics

Prior to the revolution, the most powerful monopoly in Egypt was the political position held by the NDP. Established by President Anwar Sadat in 1978, the NDP remained the ruling party until February 2011, when President Mubarak was deposed. In addition to writing the laws—and voting for constitutional amendments that provided the *de jure* justification that enabled the party to retain its political dominance, NDP members held key positions in the bureaucracy and administration that perpetuated regime control.

Perhaps the best example of this incestuous and corrupt system was former NDP secretary-general Safwat al-Sharif, who was also the onetime speaker of the

Shura Council and head of the Political Party Committee (PPC), an institution stacked with NDP members. In this capacity, Sharif and the NDP determined which opposition parties could be legally established, a process that permitted rejecting opposition parties based on the judgment that their programs lacked “uniqueness.” The PPC could also deny a party the right to operate based on the equally arbitrary principle of “national interest.”

This power dynamic resulted in surreal rulings. In 1978, for example, Anwar Esmat Sadat—a onetime parliamentarian and nephew of the former president—petitioned to establish a political party called the Sadat Party but was turned down by the PPC, which ruled that, according to the NDP, “the Sadat Party is the NDP.”<sup>39</sup>

The NDP’s preeminence was guaranteed and perpetuated through elections that were almost universally assessed as fraudulent. The party also used intimidation—arresting and threatening members of the opposition—to improve the electoral terrain. Most notable in this regard were the frequent and seemingly indiscriminate roundups of rank-and-file Islamists and prominent Muslim Brotherhood (MB) leaders. In its 2009 report, Amnesty International estimated that up to 10,000 Islamists were being held in administrative detention. Nor were secular opposition leaders spared. In 2005, the regime arrested Mubarak’s only rival presidential candidate, Ayman Nour. More recently, the state sought to discredit democratic gadfly and would-be presidential candidate Mohamed ElBaradei—whose international stature as former chief of the International Atomic Energy Agency (IAEA) precluded his arrest—by accusing him in the government-controlled media of being an “American stooge.”

Repressive governance in Egypt engendered widespread resentment of the NDP. And indeed, NDP officials appeared to recognize that the party’s image needed burnishing. During the NDP conference held in November 2009 under the slogan “Only for you,” the party made what appeared to be a direct populist

appeal by pushing a platform focused on poverty alleviation, subsidies, health care, education, and employment. Meanwhile, a slickly produced video shown between sessions touted the NDP as the “party of the fellahin [peasant farmers].”

At the conference, the NDP also took credit for its largely successful economic policies. Party officials boasted repeatedly of steering Egypt clear of the financial crisis, increasing penetration of ration cards and food subsidies, lowering the public debt, attracting foreign investment, and raising tourist revenues, among other accomplishments.

But the party also infused the conference with a touch of uncharacteristic—if calculated—humility. NDP assistant secretary-general Gamal Mubarak, for example, claimed during his plenary report that “Egypt has changed. We don’t monopolize the arena anymore, [so] we have to convey a convincing message to public opinion.”<sup>40</sup>

While the NDP conference focused heavily on social issues, only one panel was devoted to the controversial topic of governance. “Citizenship, Democracy, and Human Rights”—the last panel on the last day—featured two of the party’s leading Western-educated intellectuals specializing in these issues: Muhammad Kamal and Ali Din Helal, in addition to Minister of State for Legal Affairs Mufid Shehab. Before the panel started, the large auditorium packed with party functionaries cleared out.

After some time, it was easy to see why. Instead of discussing democracy and human rights, the panelists devoted their talks to obscure topics with little discernable connection to the issues advertised. Helal, for example, talked about the necessity of protecting Egyptian culture and civilization through copywriting and preservation of movies, while Kamal focused on the NDP commitment to fight corruption and the necessity to prevent Egyptian parents from selling their children.<sup>41</sup>

Of course, the NDP never publicly recognized Egyptian aspirations for more democratic and transparent government. Indeed, NDP officials were dismissive of calls for change, an attitude epitomized by NDP media affairs secretary Ali Din Helal. For

example, when Helal was asked about popular sentiment during a June 2009 interview with the government-friendly Egyptian weekly *Rose al-Yousef*, he downplayed interest in democracy, saying that “the street is concerned with daily human problems, after that we find some of the people who link these problems with a particular political situation....”<sup>42</sup> Egyptians, according to Helal’s supercilious worldview, “aren’t interested in politics” but rather are focused only on “political demands.”<sup>43</sup> Instead of democratic politics, the NDP overall projected onto the population its own preference for stability.

To a certain extent, Helal was right: many Egyptians set political reform as a lower priority than economic reform. But the two are inexorably related, with modern economic reform benefiting from an environment infused with democratic values such as transparency and accountability. Moreover, prospects for successful economic reform are enhanced by the presence of an independent media, an empowered legislature, and functioning and autonomous courts. While democratization may not be a prerequisite for economic reform, in the words of one Western political economist, “Some measure of political reform in most MENA [Middle East and North African] countries *is* imperative if economic success is the goal.”<sup>44</sup>

If the NDP had remained in charge, of course, Egyptians’ hopes for political reform would not have been realized. The NDP’s disdain for democratic change ran deep, and was oftentimes expressed in brazen fashion. In the run-up to the June 2010 Shura Council elections, for example, NDP parliament member and head of the foreign affairs committee Mostafa el-Fiky suggested that it might be “necess[ary] to rig the voting process under certain circumstances.”<sup>45</sup> Months earlier, another NDP parliament member, Nashaat al-Qasas, used the parliament floor to call for the Ministry of Interior to disperse pro-democracy protestors more forcefully. “Do not use water hoses to disperse these outlaws,” he said, “shoot at them directly.”<sup>46</sup> Fortunately, when the Papyrus Revolution occurred, the sensibilities of the military—and not the NDP—prevailed.

The revolution rendered the NDP’s future uncertain. Whereas in Cairo the NDP appears to have

disintegrated—the headquarters were burned and the party leadership resigned, with many facing criminal charges—the party’s status outside the capital remains unclear. In villages across the country, former NDP officials may no longer wear the party emblem, but they remain in key local positions. And given the short time line set for national elections, some if not many of these officials will likely be returned to parliament during the first post-Mubarak parliamentary elections.

## Opposition Landscape

Egypt’s history of political parties spans more than a century. Since the 1950s and the Free Officers’ coup, however, the party system has largely been manipulated and controlled by the government, resulting in the co-optation of much of the “opposition.” Prior to the revolution, the Wafd, the Nasserites, and Tagammua could only charitably be described as opposition parties. Indeed, in July 2010, an organization called the Popular Coalition for Supporting Gamal Mubarak (for President) was established by Tagammua member Magdi Kordi. His deputy at the coalition, Iglal Salem, belonged to the Wafd Party.

Putting aside the two dozen or so largely irrelevant political parties, the most significant political forces in today’s Egypt are the Islamists and the liberals gravitating around Mohamed ElBaradei. Neither group possessed an actual party as of March 2011.

**The Islamists.** Although the Egyptian Muslim Brotherhood (MB) publicly foreswore violence decades ago, the Mubarak regime viewed Islamists as a threat and engaged in a systematic campaign to constrain the organization. In addition to frequent arrests and detentions of MB leaders, Cairo intervened in elections by preventing Islamist candidates from running for office and reportedly manipulating results of the balloting.<sup>47</sup>

Despite constraints, MB members had long served as “independents” in parliament, with 2005 marking a banner year. In that year’s parliamentary elections, the MB secured eighty-eight seats, or 20 percent of the legislature, a fivefold increase from its representation in 2000. Whether the MB’s performance was a true reflection of the Islamists’ popularity or a government

manipulation designed to quiet incessant demands for political reform by the Bush administration, however, is unclear. Given that the same year, the MB won no seats in elections to the upper house, or Majlis al-Shura, the Islamists’ victory in the Majlis al-Shaab appears not to have been a surprise for the Mubarak regime.

Then, two years after the elections, the Mubarak regime cracked down on the MB, arresting hundreds of members between 2007 and 2009, including the group’s leading local financier and deputy chairman, Khairat al-Shater. His imprisonment had a chilling effect on the organization’s local fundraising. In 2007, the government also engineered constitutional amendments and a restrictive new electoral law that would have made it nearly impossible for the group to effectively participate in future parliamentary elections. Among others provisions, the amendments included a ban on religious parties and more restrictive conditions on “independents,” the only avenue for Islamist participation.

These new amendments presented a real problem for the MB in the local elections of spring 2008. Initially, the MB had planned to run 10,000 candidates for the 53,000 available seats.<sup>48</sup> But the amendments and an intense arrest campaign, combined with bureaucratic slow-rolling in registering MB candidates, took a serious toll on the group’s plans. By the week before the elections, the MB had managed to get fewer than 500 candidates approved by the government. Just days prior to voting, the Brotherhood announced that it would boycott the election, and the NDP—running virtually unopposed, with only 1,221 nonregime candidates on the ballot—secured well over 90 percent of the seats.

Increased repression by the regime appears to have had an impact on the MB’s orientation. In 2009, in a direct challenge to Mubarak, the group issued several unprecedented statements in support of Hamas and Hizballah. For example, following the arrest of members of a Hizballah cell operating in Egypt—a group that Mubarak himself declared a “threat [to] Egypt’s national security”<sup>49</sup>—then MB Supreme Guide Muhammad Mahdi Akef contradicted the president at a press conference, saying that “Hizballah doesn’t

threaten Egyptian national security.”<sup>50</sup> Indeed, members of the NDP even accused MB members of belonging to the arrested Hizballah cell.<sup>51</sup> Likewise, shortly after Israel's Gaza incursion of December 2008–January 2009—which the regime saw as the result of a Hamas provocation—the MB issued a statement urging Egyptians to “bolster the resistance and support [Hamas] by every possible means.”<sup>52</sup>

More recently, during internal balloting in December 2009 to select its sixteen-member executive committee and replace Akef as Supreme Guide, the MB bypassed several moderate incumbents—including Akef's deputy, Muhammad Habib—and installed a more conservative leadership instead. On his election, the new Supreme Guide, Muhammad Badie, was described by the pan-Arab daily *al-Hayat* as “among the most hardline [MB] leaders, devoted to the tactics of Sayyed Qutb,” a founder and leading MB theoretician who advocated violence to establish an Islamic state in Egypt prior to his 1966 execution.<sup>53</sup> Indeed, Badie himself was sentenced to fifteen years' imprisonment in 1965 by the same military tribunal that condemned Qutb.

To some observers, the vote reflected the outcome of an internal debate in the organization regarding the utility of participating in Egypt's sclerotic political system.<sup>54</sup> In this debate, the losers were those who sought further influence in national politics by participating in admittedly rigged elections. Still others suggest that the Egyptian government manipulated the MB's internal elections—jailing key MB “moderates” like Abd al-Muanem Abu al-Fatouh prior to the balloting—to help seal Badie's victory.

It is not clear what impact the internal change of leadership—along with the unseating of Mubarak—will have on the organization's disposition. Another wild card is the future role of eighty-four-year-old Yusuf al-Qaradawi in local and regional Islamist politics. Qaradawi—who was exiled to Qatar from Egypt in 1961 for his antigovernment and militant Islamist views—returned home recently to great fanfare. His visit to Cairo was short, but he may return from time to time. With a best-selling book on Islam and a top program on Aljazeera, Qaradawi has a built-in constituency and could make a play for a leadership role

in a Brotherhood divided along generational and policy lines.

Qaradawi's positions are cause for concern. Not only does he encourage suicide bombings against Israeli civilians, he has advocated the “stoning” of Palestinian president Mahmoud Abbas in Mecca for his conciliatory stances vis-à-vis Israel. He has also called for Muslim states to acquire nuclear weapons, and has publicly declared his admiration for Adolf Hitler.<sup>55</sup>

Muhammad Badie's statements betray a violent worldview as well. Not only did he reportedly proclaim support for suicide bombings against Israelis—“improvement and change that the [Muslim] nation seeks can only be attained through jihad and sacrifice and by raising a jihadi generation that pursues death just as the enemies pursue life”—Badie also is hopeful regarding the fall of the United States. The “wealth” of the United States, he said, “will not avail it once Allah has had His say...The U.S. is now experiencing the beginning of its end, and is heading towards its demise.”<sup>56</sup>

Although the Muslim Brotherhood leadership did not strike a high profile in Tahrir Square during the Papyrus Revolution, youths affiliated with the organization were significantly represented in the demonstrations. Like other Egyptian political groups, the MB established its own podium in the square. After Mubarak's fall, the MB coalesced with the liberal opposition and entered into negotiations with the Supreme Military Council. But the cooperation did not last long, and the two groups parted ways over the March 2011 constitutional referendum.

In effect, despite the MB leadership's protestations that the organization supports a democratic Egypt, many liberals continue to be skeptical about the group's ultimate goals. Egyptians, after all, have not forgotten past MB pronouncements of its intent to reinstitute the *jizya* tax on non-Muslims. At the same time, a younger generation of MB supporters is pressing for the organization's geriatric leaders to be replaced, a development that could ultimately split or weaken the organization.

**Secular Liberals.** In 2005, as the Islamists were winning seats in parliament, Egypt's secular liberal opposition was coming together under the Kefaya (or

“Enough”) movement, led by al-Ghad Party chief Ayman Nour, among others. But Nour’s unprecedented run for the presidency precipitated his arrest, disbarment, and five years of incarceration, followed by a messy divorce from his popular wife, Gameela Ismail. The adversity killed Nour’s momentum, and constituted a substantial setback for the al-Ghad Party.<sup>57</sup>

Five years after Nour’s ill-fated campaign, the landscape of Egypt’s political opposition has been transformed almost beyond recognition. A watershed for these changes was the return to Egypt in February 2010 of Mohamed ElBaradei. Having just retired as head of the IAEA, ElBaradei—a recipient of the Nobel Peace Prize as well as Egypt’s highest honor, the Greatest Nile Collar—started criticizing governance in his home country and hinting that he might be interested in competing for Egypt’s highest office in 2011.

ElBaradei was greeted by thousands of supporters when he arrived in Cairo, and he capitalized on this momentum to establish in coordination with other opposition groups—including liberals and Islamists—a loose umbrella coalition called the National Association for Change (NAC). Members of this coalition included, among others, the MB, al-Ghad Party, Democratic Front Party, and Kefaya movement. The NAC adopted as its goal the pursuit of a seven-point plan demanding reforms.

The opposition initiated an online petition seeking popular Egyptian support for the seven-point plan. Powered largely by the high traffic on the Muslim Brotherhood website ([www.ikhwanonline.com](http://www.ikhwanonline.com)), which linked to the petition at [www.tawkatonline.com](http://www.tawkatonline.com), more than a million Egyptians eventually signed on to the plan.

ElBaradei also received support, however modest, from the April 6 youth movement, another member of the NAC. For its part, the April 6 movement had emerged after the 2008 protests in al-Mahalla al-Kubra—two years before ElBaradei’s return to Egypt—and sought to use the internet to mobilize demonstrators in support of reform. It is unclear exactly how influential the constituents of what later became “April 6” were in fomenting the 2008 unrest. While the organization did gain some prominence

through its efforts to organize pro-reform demonstrations, subsequent attempts to mobilize crowds—like the proposed “Day of Anger” in Cairo on April 6, 2009—proved decidedly less successful.

According to April 6 organizers, the 2009 event failed in large part because government security elements cordoned off protestors and severely beat 150 women.<sup>58</sup> Alternatively, the group’s demands—which included setting presidential term limits, establishing a minimum wage, and ending natural gas exports to Israel—may have been too diffuse. Judging from the repeated arrests and prolonged detentions of April 6 movement leaders, however, the government felt real concern about the group’s potential effectiveness in pioneering use of social media to rally crowds.<sup>59</sup>

The concerns were warranted. April 6 proved to be a—if not *the*—key agent behind the Papyrus Revolution. Since Mubarak’s fall, April 6 remains a force in Egypt’s pro-democracy youth movement, and it will likely continue to inform debate and raise crowds should the military or the next government fail to respond to the people’s demands.<sup>60</sup> But with the achievement of goal unifying the group—i.e., Mubarak’s removal—the movement may be starting to show some signs of drift.

Along the same lines, ElBaradei has been supported by the Independent Campaign to Elect Mohamed ElBaradei 2011, a web-based organization run by Egyptian television personality—and son of prominent Qatar-based cleric Yusuf al-Qaradawi—Abdel Rahman Yusuf. The Independent Campaign has both a slick website and a Facebook page, which as of October 2010 claimed nearly 250,000 friends.<sup>61</sup> Prior to the revolution, the website provided news detailing government harassment of ElBaradei supporters, which regrettably occurred with high frequency.

Not surprisingly, the Mubarak regime targeted ElBaradei, seeing him as a threat. In fall of 2010, for example, pictures of ElBaradei’s daughter Laila appeared on the internet, hacked from her private Facebook account. The photos, which included snapshots in a bathing suit, pictures of friends imbibing alcohol at her wedding, and a captured image of her Facebook homepage indicating that she was “very

liberal” and “agnostic,” were uploaded to another Facebook account called “ElBaradei’s Family Secrets” and reprinted in the Egyptian government press. Moreover, the Facebook account included a testimonial from an alleged “friend” of Laila ElBaradei, who claimed to be shocked by Mohamed’s “unprecedented visits to the mosques, since I know that [he] and his family do not embrace any religion. This empowered me to speak out and tell the truth.”<sup>62</sup>

The testimonial and the pictures smacked of a government-orchestrated attempt to discredit ElBaradei with the conservative Egyptian electorate. In response, ElBaradei issued a statement to the press, pointing out that “Such campaigns are always the only response by the regime to those who call for democracy.”<sup>63</sup>

As the opposition gained momentum in 2010, the intimidation tactics increased. Indeed, several reports in summer and fall 2010 indicated that the regime was detaining and interrogating key opposition activists returning to Egypt from trips abroad. The most prominent of these incarcerations involved the nephew of respected opposition leader Osama Ghazali Harb, of the Democratic Front Party. ElBaradei supporters referred to the September detention of Dr. Shadi Tariq al-Ghazali as a “kidnapping.”<sup>64</sup>

Despite constant harassment and seemingly insurmountable obstacles, Egyptian liberals not only persevered in their opposition to NDP political hegemony, they also built organizational infrastructure. Over a very short period, ElBaradei established a grassroots network extending beyond Cairo’s traditional liberal elite. By spring 2010, for example, a core group of ten young supporters apparently had set up a coordinating office in Giza for ElBaradei’s run at the presidency, recruiting new supporters by holding frequent meetings to propagate the seven-point plan. Significantly, members of this clique did not show the customary fear of regime security. When one of these activists was asked whether he feared arrest, he responded that he had programmed into his mobile speed-dial the numbers for six pro-bono lawyers ready to jump to his aid if he were incarcerated.<sup>65</sup>

As for Ayman Nour—the leader of Egypt’s fledgling liberal opposition until ElBaradei’s

arrival—despite a significant drop in his public profile, he remained an active gadfly in Egyptian politics. Immediately after his February 2009 release from prison, he resumed his opposition activities, recruiting like-minded parties and prominent personalities to establish the Egyptian Campaign against Hereditary Succession of Gamal Mubarak.

In addition to being a ubiquitous presence at conferences and issuing frequent press releases, Nour participated in rallies with other opposition leaders, such as Hamdin Sabahi of the Nasserist Party and ElBaradei himself. At the same time, Nour clearly viewed ElBaradei as a competitor of sorts in leading the liberal opposition. Indeed, shortly after ElBaradei’s return to Egypt, Nour described him as a “hypothetical candidate” compared to himself, a “real one.”<sup>66</sup>

In July 2009, Nour formally announced he would again run for the presidency. To this end, during much of 2009 and 2010, he traveled to several governorates in support of al-Ghad’s door-to-door campaign, introducing prospective voters to the party platform. As in 2005, this platform focused on “peaceful reformist change [that is] legitimate and possible” in Egypt.<sup>67</sup>

While few Egyptians considered Nour a serious contender for the position, he continued to irk the regime, which had denied him permission to travel to the United States following his release from prison. Subsequently, on October 29, 2009, Egyptian state security raided Nour’s offices in Cairo. During a campaign trip to Hurghada a few days later, a pro-NDP mob reportedly harassed Nour and his retinue and threatened to beat the candidate.

The largely leaderless Papyrus Revolution changed the dynamic among the liberal opposition elite. The profile of Nour and ElBaradei received a boost, but other potentates also emerged during the turmoil. Wael Ghoneim, the Egyptian Google executive who established the influential Khaled Sayyed Facebook page—and was subsequently arrested and detained for two weeks—became a symbol of the youth revolution, particularly after his moving forty-five-minute interview on Egyptian television.<sup>68</sup> Longtime Arab League secretary-general Amr Mousa also affiliated himself with the revolutionaries as soon as it

became clear that his patron, Hosni Mubarak, would be deposed.

Mousa's high profile and popularity make him the early front-runner in Egypt's first post-Mubarak presidential elections. From 1991 to 2001, Mousa served as foreign minister, taking nationalist and populist positions that provided the diplomat with a sort of folk hero status in Cairo. These qualities have made him a target for ElBaradei, who continues to eye the position. During the spring 2011 crisis in Libya, ElBaradei repeatedly condemned the Arab League and Mousa for not taking a stronger stand against the atrocities perpetrated by Libyan leader Muammar Qadhafi.<sup>69</sup> (This domestic pressure may have contributed to the Arab League resolution in March 2011 supporting a no-fly zone over Libya.) Still months off, the field of candidates for the first-ever free presidential election in Egypt will be deep.<sup>70</sup>

### Toward a Durable Opposition Coalition?

The Muslim Brotherhood did not welcome ElBaradei when his plane touched down in Cairo.<sup>71</sup> Shortly after his return, though, several meetings occurred between secular and Islamist opposition forces. The MB approached these meetings cautiously, portraying them as meet-and-greets.<sup>72</sup> Yet there was little doubt that the MB and ElBaradei shared common ground in opposing *tawrih*, the hereditary succession of Gamal Mubarak.

In short order, additional understandings were reached—MB support for ElBaradei's seven-point plan, for example—but several key questions remained. Atop this list was the divisive question of whether the MB would consent to boycott the 2010 parliamentary and 2011 presidential elections. The largest opposition umbrella organization—the Coalition of Egyptian Opposition Parties (CEOP)—split over this issue.

For ElBaradei, the decision was simple. In June 2010, he announced that he would not run for office, lest it legitimize electoral fraud. Instead, he sought to build a broad-based coalition committed to not participating. "If the whole people boycott the elections totally," he said, "it will be in my view the end of the regime."<sup>73</sup> Three of the more prominent members of

CEOP, however, initially did not consent to a boycott. The Wafd, Tagammua, and Nasserite parties—all of which appeared to be amenable to cutting deals with the NDP—participated in the 2010 parliamentary elections.

The decision to participate in elections was controversial within the MB. In early November 2010—against the position taken by the Brotherhood's Office of the General Guide—twenty-two MB members of parliament announced they would not seek reelection.<sup>74</sup> In the end, the balance of the MB, along with Wafd and Tagammua, participated in the first round of parliamentary elections. After widespread reports of fraud—which contributed to a near NDP sweep—the MB and Wafd boycotted the second round.

The MB's loss of eighty-seven seats in the 2010 parliamentary elections was striking. But the results appear to have been foreordained, despite the group's continued popularity. Months before the polls opened, former NDP secretary-general Sharif pledged that the NDP would not "allow" a recurrence of 2005.<sup>75</sup>

In preparation for the 2010 parliamentary elections, MB members were subjected to repeated arrests, lengthy incarcerations, and a prolonged government campaign targeting the group's finances. This rough treatment instilled in the MB a healthy respect for the repressive capabilities of the Mubarak regime. As MB Guidance Bureau member Essam al-Erian noted in a May 2010 interview:

[T]he MB achieved unprecedented gains in its political and social history [during the Mubarak era], but when we look at the number of arrests, we find that its number is 30,000 since the rise of Mubarak in 1981. It's correct that the arrests are for shorter periods [than during the presidency of Gamal Abdul Nasser], between six months and a year, but the total of sentences issued on their behalf reaches 30,000 years in prison, and that is a scary number.<sup>76</sup>

So opposition to *tawrih*, or hereditary succession, and ElBaradei's seven-point plan were the glue that held the liberal opposition and Islamists together. Beyond these central points, however, the opposition shared little common vision. Israel, not surprisingly, is one

consensus issue. So, too, is support for the Palestinians as well as the populist demand that Egypt end the deal that provides natural gas to the Jewish state at submarket prices.<sup>77</sup>

In July 2009, opposition forces protested against the natural gas arrangement between Egypt and Israel on the steps of the Journalists' Union building in Cairo. According to the MB account of this protest, prominent secular opposition leaders George Ishaq (Kefaya), Anwar Esmat Sadat (Reform and Development), and Ayman Nour (al-Ghad), participated.<sup>78</sup> Pictures from the demonstration show bearded men carrying signs demanding an end to the peace treaty with Israel and the toppling of "Mubarak the Zionist." With the notable exception of some leading MB officials, however, none of these groups is openly calling for the end of Israel or the abrogation of the Camp David Accords.

During the revolution and immediately after, leaders of the liberal and Islamist opposition appeared to be working together productively. Despite early confusion in January 2011 regarding whether the MB supported or recognized ElBaradei as the spokesman of the demonstrations, the MB has since taken a low public profile, aware of concerns at home and in the West and content to let the liberals lead in negotiations about political demands with the Higher Military

Council. Meanwhile, the MB has worked quietly on establishing its own political party, and successfully lobbied authorities to get key personnel—such as Khairat al-Shater—released from prison.

The *modus vivendi* ended with the referendum on the constitutional amendments. The MB supported the limited amendments, while the liberals opposed them, believing the changes insufficient. Today in Egypt, the liberals and the Islamists are competitors, vying for political power in elections with differing visions for the future. These trends will also be struggling for power among themselves. Indeed, by April 2011, nearly a half dozen Islamist parties had emerged, including MB offshoots and more militant Salafist parties. Liberal political parties have proliferated as well.

At present, it is not entirely clear that the military—which has essentially dominated Egypt for the past 7,000 years—will consent to real civilian control, whether liberal or Islamist. But the military's proposed time line and sequence of events for the transition period clearly work in favor of the Muslim Brotherhood. Given historical tensions between Egypt's Islamists and the military, we might at least ask whether the army and the MB are working together toward a less than fully democratic arrangement that preserves traditional military equities in Egyptian society.

## 3 | The Economic Priority

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UNLIKE TUNISIA'S JASMINE Revolution, Egypt's Papyrus Revolution was not sparked primarily by economic grievances. Dissatisfaction with authoritarian government—and especially with Hosni Mubarak—served as the chief mobilizing factor in the demonstrations. While the economy was not the primary issue galvanizing these particular protests, however, it does animate much of today's popular discontent in Egypt.

Hosni Mubarak's thirty-year rule was not characterized by innovative or dynamic policies. But in 2004—for reasons that remain unclear—he took a risk, appointing a new cabinet, the composition of which signaled a change in approach on economic policy, at least. The fourteen new members of the thirty-four-member cabinet were not old National Democratic Party (NDP) warhorses but rather younger businessmen and technocrats. Symbolic in this respect was the new prime minister, Ahmed Nazif, a graduate from a Canadian university with a PhD in computer engineering.<sup>79</sup>

The new government was established just two years after President Mubarak appointed his son Gamal as head of the ruling party's Policy Secretariat. With this promotion, Gamal, who had until just a few years earlier been an investment banker based in London, essentially became the third highest ranking civilian in Egypt. And when the cabinet was formed in 2004, several of the new ministers came from the ranks of Gamal's Policy Secretariat.

The combination of new blood, technocratic and financial expertise in the cabinet, and an administration in Washington dedicated to a "freedom agenda" raised expectations that the Egyptian government would finally move forward with long-overdue economic reforms. And this so-called government of businessmen did not disappoint. Indeed, in terms of financial sector reform, privatization, and myriad legislative changes, Cairo moved with unusual speed, making the government of Egypt the poster boy for developing world economic reform, earning plaudits from the World Bank, the International Monetary Fund, and other institutions.

What follows is a discussion of Egypt's largely successful efforts at economic reform. While Cairo has much more to accomplish on this front, seven years of effort produced significant benefits for the state. Regrettably, however, to date the majority of Egypt's impoverished residents have profited little from the improvements.

In the aftermath of the Papyrus Revolution, economic reform in Egypt is of increased urgency. The demonstrations and the toppling of Mubarak have placed stress on an already fragile economy. Shuttered businesses cost Egypt an estimated \$310 million per day.<sup>80</sup> Spooked by the unrest, the Egyptian stock market lost nearly one fifth of its value. Worse, tourists—the state's second largest source of revenue after the Suez Canal—are unlikely to return in full force for some time.

Given Egypt's economic hardship and a sour public mood that associates economic reform with corruption, whoever eventually takes control in Cairo will presumably not push forward any time soon with the difficult measures that lie ahead in the reform program. Ultimately, the implementation of these economic reforms will make Egypt more prosperous, but the process will prove painful, unpopular, and perhaps destabilizing.

### **Economic Growth**

Through the prism of macroeconomics, Egypt's seven-year experiment in reform coordinated by Gamal Mubarak was a real success story. Gone are the days of the stagnated state-controlled economy. While the government still does own some largely unprofitable businesses, such as textile factories, in recent years the state has put up impressive numbers in terms of economic growth. In 2007, Egypt posted real gross domestic product (GDP) growth of 7.1 percent; 7.2 percent in 2008; and a 4.7 percent rate of GDP growth in 2009.<sup>81</sup> Compared to previous years, growth in 2009 seems low. Yet given that this growth occurred at the low point of the global economic downturn, the

number was remarkable. Indeed, Egypt's performance that year led then Minister of Trade and Industry Rachid Mohamed Rachid to tout the emerging market in Egypt as "oxygen" to the world's economy.<sup>82</sup>

According to the International Monetary Fund (IMF), the reforms introduced since 2004—including the establishment of a well-functioning foreign exchange market, the cutting of tariffs and personal and corporate income taxes, the streamlining of business regulations, and the privatizing of large state-owned assets—all contributed to an improved business climate.<sup>83</sup> In addition to improving conditions for locals, these changes effectively transformed Egypt into an attractive locus of foreign direct investment (FDI).<sup>84</sup>

In 2004, FDI in Egypt was \$2.2 billion; in 2007, FDI peaked at \$11.6 billion; and it dropped to \$9.49 billion in 2008. While FDI levels declined by 35 percent in the beginning of fiscal year 2010, the Egyptian government was reportedly campaigning hard to raise \$15 billion for much-needed infrastructure projects such as roads, trains, ports, and hospitals.<sup>85</sup>

Growth was also driven by government pragmatism, including the 2004 decision to promote Egypt's bid to establish Qualified Industrial Zones (QIZs), where Egyptian manufacturers created products consisting of at least 11.7 percent Israeli content to be sold duty-free in the United States. Over the course of one year, Egyptian exports to the United States rose by 56 percent.<sup>86</sup> Cairo also responded quickly and aggressively in 2008 to counter the worst effects of the global economic downturn, including through a tax forgiveness policy and a financial stimulus package.<sup>87</sup>

Public debt—now at 75 percent of GDP—remains a problem, but as of December 2010, the trend line looked good considering state arrears had stood at nearly 130 percent of GDP in 2000. Still, this is not much worse than the U.S. public debt of 70 percent or U.S. GDP predicted for 2015.

Despite notable successes, the Egyptian economy has very serious structural deficits that will not be easily remedied any time soon. Endemic unemployment ranks among the most problematic issues, and particularly so during the current period of economic slowdown.

Some 650,000 Egyptians enter the job market every year, and to prevent increased unemployment—officially at nearly 10 percent but likely higher—Egypt needs 6 percent annual growth in GDP.<sup>88</sup>

Egypt's largest sector is agriculture—a segment of the economy that is shrinking. Even so, the situation is much worse for the educated than for the illiterate. Indeed, college graduates, the youth, have among the highest rates of unemployment. In part, this phenomenon owes to most university students being enrolled in humanities rather than practical sciences such as engineering, but it is also related to deficiencies in the Egyptian education system.

According to a United Nations survey, almost half of sampled Egyptian employers said they find the practical training applicants received at school and their ability to apply this training "very poor."<sup>89</sup> This statistic is borne out by anecdotal evidence. In 2008, one Egyptian entrepreneur confided that he had recently hired five foreigners—instead of nationals. "No one is qualified here," he complained.<sup>90</sup> Instead of depositing funds from sales of government assets into the Treasury, the businessman urged putting at least 10 to 15 percent of the windfall toward worker retraining.

Egypt's perennial subsidies are also a significant drag on the economy. Energy and food subsidies—a relic of Nasserist socialism of the 1950s—reach nearly \$10 billion per year. In the 1970s, then president Anwar Sadat tried to phase out some of these subsidies, a move that resulted in widespread riots. Although the Mubarak government pledged as part of its economic reform initiative to phase out fuel and electricity subsidies by 2014, this aid has become akin to a sacred cow.<sup>91</sup>

Roughly 80 percent of the 56 billion Egyptian pounds (LE) in subsidies—or \$9.7 billion—offsets the cost of energy (i.e., fuel and electricity). As a result, fuel costs in Egypt are lower than those in Saudi Arabia. While impoverished Egyptians depend on low energy costs to heat and cool their homes and fuel their automobiles, the subsidies also have a negative impact on the economy above and beyond adding to the deficit.

Not only does subsidized energy promote inefficiency in Egyptian production, cheaper fuel means more cars in Cairo, exacerbating some of the worst

traffic in the world. Moreover, it encourages Egyptians to use rather than conserve energy, taxing an electricity grid that is already near capacity. In the summer of 2010, the artificially low price of fuel combined with a heat wave to create routine power outages in Cairo, a development not seen since the 1960s.

Consistent with its 2004 reform program, the government had pledged to raise the prices at the end of 2010.<sup>92</sup> Following the Papyrus Revolution, however, it appears likely that these energy subsidies will be here to stay for some time.

Government food subsidies amounting to \$3 billion a year, or nearly 5 percent of the budget, are no less problematic. Egyptians—nearly 40 percent of whom live on less than \$2 per day—have come to depend on government food assistance, especially for wheat products. Egypt has long been unable to meet its demand for wheat domestically, and today the commodity accounts for 5 percent of the country's total imports.<sup>93</sup> Indeed, Egypt is the world's top wheat importer, bringing in about 7 million tons per year.

The wheat subsidy is problematic in a number of regards. First, Egypt does not provide the subsidy directly to the people—it distributes subsidized flour to bakeries, a practice that has promoted extensive corruption. At the behest of foreign donors, the Mubarak regime experimented with some pilot programs—including one in Port Said—distributing food “smart cards” to individuals, but this program is not expected to be adopted on the national level any time soon. Second, the extensive government support for bread has resulted in widespread misuse and waste, an issue discussed at greater length earlier in this study.

In a broader sense, this dependence on the government's largess has contributed to food insecurity in Egypt. Bread is a staple, one that may be consumed at unnaturally high rates because of the artificially low price. When Russia announced in 2010 that it would no longer export wheat, a brief panic ensued in Egypt that the state would be unable to meet its enormous appetite for the commodity.

Still other government subsidies are directed toward building materials—steel and concrete, for

example—in industries previously closely associated with senior NDP members. Despite government support for the purchase of these materials, however, prices nevertheless increased markedly in recent years, an almost inexplicable phenomenon given the slowing of the economy. This development may have been linked to the persistence of monopolies during Mubarak's tenure, despite legislation designed to investigate and prosecute antitrust violations.

The dramatic events of January and February 2011 may put economic reform on indefinite hold. If and when it ever resumes, however, the next round will likely enter a critical phase, touching the sacred cow of subsidies. This will undoubtedly be an unappealing prospect for a new, unsteady post-Mubarak government.

### ...But No Trickle-Down

The implementation of the economic program since 2004 indisputably led to impressive macroeconomic growth—the doubling of GDP per capita from \$3,000 in 1998 to \$6,000 in 2009—but the vast majority of Egyptians have not benefited much from the reforms. The problem, according to an authoritative 2009 report published by the Board of Trustees of the General Authority for Investment and Free Zones in Egypt, is that the benefits of economic expansion have failed to trickle down to the poor, creating a growing gap between the very rich and everyone else.<sup>94</sup> Worse, the NDP's constant harping on its success in this arena raised public expectations that in turn fueled growing frustrations.

The absence of trickle-down is evident even to the most casual visitor to Egypt. But the structural problems underpinning this crisis bear discussion. According to the 2009 Board of Trustees report, “growth itself is necessary but [has been] insufficient to increase employment and limit poverty.” The report cites three principal causes for this dynamic:

- 1. Sources of growth** have been located primarily in sectors with the least employment. Egypt's largest employment sector—agriculture—experienced little if any growth in recent years.

**2. Particularities of the local labor market** are such that 35 percent of the labor force works in the informal sector, which has the lowest salaries and few available “decent jobs.” Complicating matters further, 44 percent of the labor force is illiterate or semi-illiterate, and those with high school educations—28 percent of workers—have the highest rate of unemployment in the country, at 33 percent (compared to 10 percent across Egypt).

**3. Distribution of income** is limited: 40 percent of the lowest wage earners garner just 15 percent of the salaries. Likewise, in geographic terms, more than 75 percent of the poor are concentrated in Upper Egypt and the Nile Delta, both relatively low-growth areas. In recent years, increases in food prices have had a profound impact on the impoverished. So too have drops in salaries. The end result: Egypt's poor and “near poor” are becoming poorer.<sup>95</sup>

That the poor have not benefited from Egypt's macro-level prosperity is not a secret. The excerpts just cited are taken from a governmental report, for instance, and politicians discuss it openly. Egyptian businessmen claim it will take an additional six to seven years before the effects are felt more broadly.<sup>96</sup> Former prime minister Ahmed Nazif also routinely asserted that the NDP's focus on encouraging investment would create jobs to help the poor.<sup>97</sup>

As noted, officially, unemployment in Egypt stands at 10 percent but is likely much higher, especially in particular geographic pockets. Youth unemployment stands at more than double the global average of 12 percent.<sup>98</sup> Perhaps even more problematic is Egypt's soaring underemployment rate. Although population growth has slowed considerably, Egypt is still struggling to create enough good jobs to gainfully employ its labor force. Worse, with government hiring abating, the private sector has proved unwilling to take on domestically educated hires with degrees of “limited value.”<sup>99</sup>

While Egyptian PhD taxi drivers have been ubiquitous for what seems like generations, the problem has been exacerbated by state efforts to educate a broader swath of its population in skills the economy does not

need. Statistics in Egypt on controversial and non-controversial issues alike have historically not been particularly reliable, but conservative reports suggest that underemployment affects some 7.5 percent of the working population, depressing wages and creating a significant drag on the economy, proving altogether to be a major source of discontent, particularly among the educated.<sup>100</sup>

Likewise, generally, jobs that are available in Egypt do not pay very much. Indeed, the minimum wage in Egypt has stagnated since 1984 at 35 LE (or \$6.30) per month.<sup>101</sup> By comparison, public sector salaries—which can reach \$75 per month—appear exceedingly high.<sup>102</sup> But given rising commodity prices, the relative buying power for all Egyptians has declined considerably, effectively lowering the standard of living for a wide segment of the population.

Egyptians complain bitterly about high prices and have done so since the reforms started to bite. At times, the popular outcry forced the Mubarak regime to back-track. As noted, to forestall shortages and increases in the price of rice, for example, the regime banned the product's export in 2008.

The level of trickle-down and rising prices has unsurprisingly led to labor unrest and a demand for a higher minimum wage. In 2010, dozens of strikes were held, often resulting in the government accommodating the demands of picketers. In the spring of 2010, protestors in Cairo called for an increase in the minimum wage to 1,200 LE (or \$210) per month, a demand that Egyptian courts have viewed sympathetically.<sup>103</sup> Making this increase more urgent was the fact that many civil servants' wages fell well below the poverty line.<sup>104</sup>

Pensions, too, have stagnated for years despite increased costs of living. Indeed, this form of government assistance was so meager—in some cases, \$8.75 per month—that in May 2010, the Ministry of Finance announced significant boosts in the grants to 2.7 million pensioners. According to then minister of finance Yusuf Boutros Ghali, as of July 2010, those receiving 50 LE a month would soon see a 170 percent increase.<sup>105</sup>

Despite unemployment, underemployment, and a rising cost of living, debate rages about whether the Egyptian middle class is shrinking or expanding,

especially since penetration of consumer goods such as televisions and cell phones is so significant. There are, for example, more than 55 million mobile cellular subscriptions in Egypt.<sup>106</sup>

NDP officials, of course, denied any contraction of the middle class. In a July 2009 interview with *al-Masry al-Youm*, former NDP secretary for organizational affairs Ahmed Ezz pointed to increasing sales of automobiles in Egypt (80,000 in 2003, 300,000 in 2008) and increasing numbers of students enrolled in private schools as proof that the middle class was on the rise.<sup>107</sup> In April of that year, Gamal Mubarak protested to the *Wall Street Journal* that “a lot of

the fruits of those [economic] reforms have actually trickled down” to the poorest Egyptians.<sup>108</sup> By and large, however, Egyptians are unconvinced. As expectations continue to rise, the *perception* of a growing gap between rich and poor is growing even faster than the reality.

At least in part, this perception helped fuel the popular discontent reflected in the Papyrus Revolution. Notwithstanding the dramatic changes in Egypt’s government, the structure of the national economy remains the same, ensuring that related frustrations will persist and continue to shape the political and social dynamics in the state for years to come.

## 4 | Egypt and the Middle East

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IN RECENT YEARS, Egypt has seen its regional influence erode precipitously. Decades have passed since Cairo was the diplomatic, cultural, and intellectual hub of the Middle East. But the extent of Egypt's decline has become even more pronounced of late, as the state has focused increasingly on internal matters related to political transition. Today, on almost every front—and regardless of the recent political upheaval—Egypt evokes a waning regional power.

Until Mubarak was deposed, Washington consulted with this elder statesman on regional issues. Indeed, the Obama administration invited Mubarak—one of only two Arab heads of state—to the White House to attend the resurrection of Israeli-Palestinian peace talks in August 2010. But there were few illusions as to his ability to influence either the Israelis or the Palestinians on key matters. It had been years since Mubarak could compel a Palestinian leader—like then *rais* (president) Yasser Arafat in 1995—to sign an Oslo II agreement with Israel that Arafat considered unpalatable.

Cairo's diplomacy on regional issues has also proven largely anemic. On Sudan, not only did Egypt have nothing to say about the Darfur genocide—in March 2009, Amr Mousa, the Egyptian secretary-general of the Arab League, “reject[ed]” the International Criminal Court (ICC) warrant for the arrest of Sudanese president Omar al-Bashir—the former government projected ambivalence about the impending breakup of its southern neighbor. In its final years, the Mubarak regime showed vigor on basically one foreign policy issue alone—that of Iran, along with its terrorist allies Hamas and Hizballah. Since 2008, Cairo took some modest steps to shore up its strategic position vis-à-vis Tehran.

With Mubarak gone, it is possible that the next government of Egypt will be intensely focused on internal matters. Alternatively, the new government may find that foreign affair—and its attendant populist appeal—is a useful distraction from stubborn domestic economic issues.

At the same time, Egypt's rivals will likely look to test the mettle of Mubarak's successor. Indeed, less than a month after the president's departure, the Iranians exploited the vacuum to take the highly provocative step of sending two warships through the Suez Canal into the Mediterranean Sea. It was the first time since 1979 that the Iranians had sent military vessels through the canal. The ships' passage would have been unthinkable during the Mubarak era.

Some of the more challenging matters the next Egyptian government will have to contend with are relations with its neighbors, including Libya, Sudan, and Israel.

### Libya

Relations between Cairo and Tripoli have fluctuated over time. In the late 1970s—when a peace deal between Egypt and Israel seemed imminent—Libya initiated terrorist attacks and provoked a border conflict with its eastern neighbor. More recently, Mubarak and Libyan leader Muammar Qadhafi reached a *modus vivendi* built on common interests in Sudan and the free movement of expatriate workers.

As of March 2011, popular uprisings in Libya had divided the country and returned the formerly “rehabilitated” Qadhafi to his previous status as international pariah. While it is unclear how the situation in Libya will develop, a civil war or failed state may ensue. Not only will Cairo be forced to deal with instability on its western border, should the violence continue, Egypt may also have to absorb hundreds of thousands of Libyan refugees.

The crisis in Libya provides an opportunity for the new Egyptian government to play a positive, stabilizing role. Through its humanitarian efforts and even perhaps by sending troops, Cairo can help a post-Qadhafi Libya rebuild on a secure basis. Notwithstanding its possession of 220 F-16 aircraft, as of March 2011 Egypt was not one of the seven Arab states participating in the military coalition supporting the UN-mandated no-fly zone over Libya. It is possible that Egypt can play a productive role in the future.

## Sudan

The new government of Egypt faces a similar challenge to its south, where the state of Sudan is slated to be divided in two in July 2011. Northern Sudan, led since 1989 by ICC indicted war criminal Omar al-Bashir, has pledged to institute sharia (Islamic law) after the south breaks off. Bashir faces a number of challenges, including a threat from the (even more militant) Islamist Hassan Turabi, as well as from Sudanese tribes, which have little interest in seeing Sudan become a truly Islamic state. Meanwhile, demonstrations in support of reform have also reached Khartoum. Amid these tensions, the concern is that after July, Northern Sudan will also deteriorate into civil war.

As with the situation in Libya, the new government in Cairo can help stabilize Northern Sudan, either by deploying additional troops to the small Egyptian contingent already on the ground or by working to convince Bashir to not impose sharia after the south splits.

## Israel

While Egypt and Israel have been at peace since 1981, the relationship has vacillated between warm and chilly over the years. Recently, however—although the stalled Israeli-Palestinian peace talks and Israeli settlement building in the West Bank have proven irritants—the Hamas takeover of Gaza and the Iranian nuclear threat seem to have brought the states closer together.

On the ground in Gaza, improved Egypt-Israel ties reportedly have been manifested through increasingly close intelligence and security coordination.<sup>109</sup> Not only has Cairo taken steps to shore up its Gaza fence and curtail weapons smuggling through tunnels but the Egyptians have also been a reliable partner to Israel in ensuring the naval blockade of Gaza aimed at preventing “humanitarian” overland and sea shipments to the Palestinians and instead ensuring that goods enter Gaza via proper channels. In the summer of 2010, Israelis and Egyptians apparently coordinated the off-loading of supplies from the Libyan-chartered vessel *Amalthea*, which was diverted south from Gaza by the Israeli navy.

In the same vein, Mubarak’s Egypt and Israel cooperated to counter the Iranian threat. In June 2009, shortly after the announcement of the arrest of a large Hizballah cell planning attacks against Egyptian and Israeli targets in the Sinai, an Israeli Dolphin-class submarine sailed from the Mediterranean to the Red Sea via the Suez Canal. A few weeks later, one of Israel’s Saar 5-class corvette missile boats traversed the channel. These ship movements made headlines in the region, not because they were unprecedented but because they came during a moment of heightened regional tensions vis-à-vis Tehran.

Almost universally in the Middle East, these developments were interpreted as a message to Iran. Transit through the canal saves Israeli vessels the time-consuming trip around the Horn of Africa, providing access to the Red Sea that brings Israeli missiles closer to Iranian shores. Correspondingly, on July 14, Iran’s Press TV website posted a story titled “Egypt, Israel Coordinating over anti-Iran Act.”<sup>110</sup>

The former regime in Egypt and Israel appeared to be on the same page regarding both Hamas and Iran. While little was publicly stated on the nature of the coordination on these fronts, the optics were unmistakably positive. Indeed, whereas President Mubarak only visited Israel once during his thirty years in power—to attend Prime Minister Yitzhak Rabin’s funeral—his intelligence chief, Omar Suleiman, was a frequent visitor to the Jewish state.

While the states have had periodic spats—in September 2010, for example, Egyptian officials said Israel had a lot of “chutzpah” for accusing Cairo of not signing an agreement in support of a nuclear-free Africa<sup>111</sup>—for the most part, the disagreements have not been on core bilateral strategic issues. Now that Mubarak is gone, the trajectory of the strategic cooperation between Israel and Egypt is unclear. The Egyptian military would no doubt like to see it continue, while the emerging opposition consensus leans toward downgrading the cooperation.

Even as state-to-state relations were productive during the Mubarak era, the longtime president failed to foster peace between the Egyptian and Israeli people. Three decades after the Camp David Accords, the

consequence of this failure is that most Egyptians remain hostile to Israel. Regrettably, in terms of foreign policy, should Egypt's next government want to differentiate itself from the former regime, changing the policy and the atmospherics of the bilateral relationship with Israel may be seen as a popular option.

## Tangling with Hamas

Consistent with its declining regional influence, Egypt's diplomatic sway with Hamas has waned over the years. Ever since Hamas took control of Gaza in 2007, Cairo has tried unsuccessfully to convince the organization to join a national unity government with Fatah and to agree to a prisoner swap with Israel. Then, in January 2008—a year after Gaza was effectively isolated by its neighbors—Hamas destroyed its border fence with Egypt, allowing a reported 700,000 Palestinians, or roughly half of Gaza's population, to enter the Sinai Peninsula.

For Cairo, the border incident raised fears of ideological contagion—in particular, the concern that the Palestinian branch of the Muslim Brotherhood (MB) might somehow radicalize its more docile Egyptian wing. So, less than two weeks after the Gaza breach, the Mubarak regime took draconian measures to return the Palestinians to Gaza. It arrested more than a hundred—including a group of Palestinians armed with explosives and grenade launchers, reportedly planning to attack Israeli tourists in the Sinai—and quickly resealed the border with miles of barbed wire.

In response, Hamas pledged it would not allow the border to remain sealed. In February 2008, two Egyptian border guards were injured by Palestinian gunfire and several more were treated for broken bones after being hit by rocks thrown across the border. In March, Hamas officials accused Egypt of torturing its detained members. Subsequently, Egypt announced its plan, with \$23 million in U.S. assistance, to build its own fence along the Gaza border with help from the U.S. Army Corps of Engineers.

Cairo's expeditious steps to better seal off Gaza were driven primarily by concerns about Hamas. But there was also pressure from Washington; for more than a decade, weapons had been moving freely into

Gaza via smuggling tunnels linking the Sinai to Palestinian areas. After Hamas's Gaza takeover, however, longer-range Katyusha rockets transported through these tunnels started falling on Israeli cities. During its 2008 budget discussions, the U.S. Congress was so concerned about perceived Egyptian inaction on the tunnels that a clause was inserted to condition nearly \$100 million in U.S. aid on Cairo obstructing these smuggling routes.<sup>112</sup>

At the time Mubarak fell, Egypt no longer viewed Hamas—a terrorist organization based some 250 miles from Cairo—as just a nuisance but rather as a bona fide threat to be contained. These concerns translated to a policy of interdicting not only military materiel but also personnel and funding for the cash-strapped terrorist group. In February 2009, for example, Egyptian officials forced Hamas official Ayman Taha to deposit \$11 million in a bank in al-Arish rather than bring it into Gaza.<sup>113</sup> Likewise, that April, government authorities arrested the brother of a Hamas spokesman after he entered Egypt through a tunnel.<sup>114</sup>

The new Egyptian government will immediately be faced with several challenges and opportunities in Gaza. Mubarak's position on Gaza—which Egyptians broadly saw as the regime serving as a co-jailer with Israel—was very unpopular. It appears that the post-Mubarak government will no longer cooperate with Israel in isolating Hamas in Gaza. Less clear is whether the new government would consider changing the longstanding policy of Egypt refusing to take responsibility for Gaza by not only providing food, water, electricity, and humanitarian goods to the territory, but also serving as Gaza's outlet to the world.

## Standing Up to Hizballah

In addition to viewing Hamas as a threat, Mubarak's Egypt also increasingly saw Hizballah, the Iran-backed Lebanese Shiite militia, as a menace. On April 8, 2009, Egyptian authorities announced the arrest of dozens of Hizballah operatives in the Sinai plotting attacks on Israeli tourists at Sinai beach resorts. According to Egyptian officials, the group was conducting preoperational planning, and establishing a surveillance network to monitor shipping traffic in the Suez Canal.

Although the arrests came as a shock to many, the seeds of this Hizballah undertaking had been planted months earlier, when Egypt refused to open the Rafah border during Israel's Operation Cast Lead in Gaza in winter 2008–2009. Cairo's position was sharply denounced by Hizballah secretary-general Hassan Nasrallah, who appealed to Egyptians to challenge their government and "open the Rafah border crossing with your own bodies."<sup>115</sup> Then Egyptian foreign minister Ahmed Abul Gheit described the statement as a "declaration of war."<sup>116</sup>

In addition to condemning Cairo, Nasrallah claimed responsibility for the operatives. Contrary to Egyptian claims, though, he said the cell was smuggling arms and explosives to Hamas in Gaza and had no intention of carrying out attacks on Egyptian soil. "If aiding the Palestinians is a crime," Nasrallah added, "I am proud of it."<sup>117</sup>

The response to Nasrallah's speech in the Egyptian government-controlled media was swift and harsh. On April 12, 2009, *al-Gomhuriya*, the leading government daily, called the Hizballah leader a "Monkey Sheikh" and the "son of Qom" (i.e., an Iranian), who is "not the leader of the resistance" but the head of a "terrorist organization" that is "an ideological ally of al-Qaeda."<sup>118</sup> The editor of the government-affiliated *Rose al-Yousef* magazine added that Lebanon should "surrender [Nasrallah] as a war criminal."<sup>119</sup>

A year later, in April 2010, twenty-six members of Hizballah—four in absentia—were sentenced by an Egyptian court to lengthy jail terms

The approach of Egypt's next government toward Hizballah and Hamas cannot be predicted. Surely, the military's concerns about these organizations will be represented in Cairo's future policies. At the same time, however, the next president of Egypt will be unlikely to share Mubarak's visceral dislike of Tehran or his concerns about Hamas. The same is likely true of Syria. As of April 2011, there were already signs that Cairo was looking to repair its long-strained relationship with Tehran's strategic partner, Damascus, a state that pursues policies Mubarak considered unhelpful if not inimical to Egyptian regional interests.<sup>120</sup>

## Concerns about Iran

If anyone doubted that the arrests and the war of words with Hizballah were an Egyptian message to Iran, Mubarak dispelled these doubts during an April 2009 speech to military officers in Ismailia. Speaking of Iran and its client, Hizballah, Mubarak said:

They are trying to enforce their agenda on our Arab world. They see the division in the Arab and Palestinian worlds and they're pushing their agents to the region to threaten Egypt's national security and undermine its stability. We will not allow them to bring the region to the brink of an abyss...We are aware of your plans, we will uncover all of your plots and we will respond to your ploys. Stop using the Palestinian issue and beware the wrath of Egypt.<sup>121</sup>

Tensions in Egypt-Iran relations date back to the 1978 Camp David Accords. In the aftermath of Iran's Islamic Revolution, Egypt provided sanctuary to the deposed shah; in Tehran, a street is named after Anwar Sadat's assassin, Khalid Islambouli. More recently, during Israel's Cast Lead operation, an organization affiliated with the Islamic Revolutionary Guard Corps put a \$1.5 million bounty on the head of President Mubarak, posting this message on the website of the Iranian government's Fars News Agency.<sup>122</sup>

For Egypt, though, the bad blood has been more about the present than the past. In particular, Mubarak's Cairo was concerned about Tehran's progress in acquiring a nuclear weapon. Mubarak, according to U.S. government cables released by WikiLeaks, had "a visceral hatred for the Islamic Republic"—not surprising given the assessment that "Egypt sees Iran and [*sic*] its greatest long-term threat."<sup>123</sup> The regime also appeared apprehensive about Iranian subversion in Egypt. As President Mubarak told Charlie Rose in August 2009, "I say to Iran, if you complain of interventions from external forces in Iran...don't do it with other countries."<sup>124</sup>

The former regime was also troubled about Iranian attempts to "spread Shiism" to the Nile Valley. Cairo leveled this accusation at Tehran following the Hizballah cell incident in 2009.<sup>125</sup> In September of the same year, thirteen individuals in Egypt were charged

with promoting Shiism and receiving funds from Iran.<sup>126</sup> More recently, in April 2010, the government-appointed Sheikh al-Azhar, Dr. Ahmed al-Tayib, highlighted his fear that conversions to Shiism had penetrated the Sunni Muslim youth in Egypt.<sup>127</sup>

These concerns seem to have driven an Egyptian initiative in late 2007–early 2008 to improve bilateral relations with Tehran. In December 2007, Iranian National Security Council head Ali Larijani visited Cairo. Subsequently, Mubarak called his Iranian counterpart, President Mahmoud Ahmadinezhad. But the fledgling effort to repair relations was halted by the roundup of the Hizballah cell.

In addition to sending a tough message to Tehran, the public announcement of the arrests—coming three months after the cell's interdictions—seems to have been calculated to influence the electorate in Lebanon, where the pro-Western March 14 governing coalition faced a tight race against the Iranian-backed, Hizballah-led opposition in the June 7, 2009, elections. Indeed, Iranian foreign minister Manoucher Motaki suggested that the government of Egypt had fabricated charges against Hizballah cells expressly for this purpose.<sup>128</sup>

The Mubarak regime took the threat posed by Tehran seriously, not only in its statements but also through actions. According to former Egyptian General Intelligence Services chief Omar Suleiman, as of July 2009, Egypt had been actively recruiting agents in Iraq and Syria to undermine the clerical regime on its own soil.<sup>129</sup> More ominously, in 2008, Mubarak confirmed to a visiting U.S. congressional delegation the long-suspected Egyptian response to Iran procuring a nuclear weapon. “Egypt might be forced to begin its own” program, he warned.<sup>130</sup>

Today, it is difficult to assess whether the Egypt-Iran dispute was really a Mubarak-Iran dispute fueled in part by the close U.S.-Egypt strategic relationship or, rather, a conflict reflecting core Egyptian concerns. Now, with Mubarak out of the picture, Cairo will almost certainly set a new policy toward Tehran. And while the new government may be inclined to strike a more conciliatory posture, if Egypt wants to play a bigger role in the region, Cairo will have an interest in checking Iranian inroads into the Arab world.

## Water

In addition to its problems with Iran and its terrorist clients, Egypt is facing an unprecedented challenge to its water access. According to a 1929 agreement dating back to the British presence, Egypt receives nearly 70 percent of the Nile River's flow and has veto power over all water projects in upstream riparian states. In recent years, however, this longstanding Egyptian dominance of the Nile has come into question as several members of the Nile Basin Initiative (NBI)—those states touching the Nile or its tributaries—have agitated for a more equitable arrangement.<sup>131</sup>

Among the more vocal states has been Ethiopia, the origin of some 85 percent of the river. In 2009, Prime Minister Meles Zanawi spelled out his opposition to continuing the 1929 agreement: “Some people in Egypt have old-fashioned ideas based on the assumption that the Nile water belongs to Egypt,” he said. “The circumstances have changed and changed forever.”<sup>132</sup> Such thinking underpinned the signing on May 14, 2010, of a new cooperation framework by five NBI member states that ended nearly eighty years of Egyptian supremacy over the river.

Given the possibility of a reduction in its quota of 55.5 billion cubic meters of water—and that the state could lose its titular veto power over all upstream water projects—Mubarak's Egypt refused to sign on to the convention. Indeed, in April 2010, even before the agreement was penned, Minister of Water Resources and Irrigation Muhammad Allam seemingly threatened military action: “Egypt reserves the right to take whatever course it sees suitable to safeguard its share” of the Nile.<sup>133</sup> At the same time, then Foreign Minister Ahmed Abul Gheit promised legal action in the event of a move without Egypt's consent.<sup>134</sup>

While Egypt continued to demand NBI recognition of the state's “historic rights” to the lion's share of the Nile, as of October 2010, Cairo's pressure campaign had not yet forced a change. Instead, the Mubarak regime responded with another tack, seeking to pressure NBI member states into continuing the current arrangement by lobbying the World Bank to cut project funding to these states should they not

rescind their demand for a revised cooperative water management system.<sup>135</sup>

Along similar lines, revelations contained in the WikiLeaks cables suggest that Cairo was concerned that its Nile access might be endangered should a weak state emerge following the January 2010 Sudanese referendum.<sup>136</sup> Instead of engaging directly with neighboring Khartoum and appropriate authorities in the country's south, however, Cairo requested that Washington intercede on its behalf, a further sign of the regime's diminished diplomatic clout.

The fact that the Mubarak regime could neither persuade nor intimidate NBI member states to continue the longstanding Nile arrangement spoke volumes as to Egypt's standing in Africa. With its population predicted to surge to 100 million by 2025, water will continue to be an Egyptian concern for the foreseeable future. Indeed, according to Egyptian government

estimates, by 2017, the state's water requirements will already outpace available resources, with 86.2 billion cubic meters of water needed per year for agricultural, industrial, and personal purposes.<sup>137</sup> In 2007, Egypt's total water resources—including its annual allocation of 55.5 billion cubic meters of Nile River water—totaled just 69.69 billion cubic meters.<sup>138</sup>

Challenges posed by Egypt's diminished standing in Africa and water scarcity have not been resolved by the ouster of Mubarak. The government that succeeds him will in short order have to contend with these problems, as well as other external threats to the state. The answer to the water difficulty will probably be a dramatic decrease by Egypt in its exorbitant water wastage. Regardless of which political trend controls the state, however, Egypt's next government may not be any more prepared to face this and other tasks than the former one was.

## 5 | The United States and Egypt

THE U.S.-EGYPT BILATERAL relationship developed rapidly following the 1978 Camp David Accords. While the ties spanned many fields, the foundation of the contact was the military relationship. As a memo from the U.S. embassy in Cairo explained in 2009:

President Mubarak and military leaders view our military assistance program as the cornerstone of our mil-mil relationship and consider the USD 1.3 billion in annual FMF [foreign military financing] as “untouchable compensation” for making and maintaining peace with Israel. The tangible benefits to our mil-mil relationship are clear: Egypt remains at peace with Israel, and the U.S. military enjoys priority access to the Suez Canal and Egyptian airspace.<sup>139</sup>

As the U.S. embassy in Egypt notes, the relationship has been beneficial for both Washington and Cairo for decades. In addition to the benefits just mentioned, in the early 1990s the Egyptian military participated in the campaign to expel Iraqi forces under Saddam Hussein from Kuwait. In return, Washington canceled nearly \$7 billion in Egypt’s outstanding military debt. Moreover, American and Egyptian forces engage in annual joint exercises in the Sinai Peninsula, and Cairo coproduces U.S. tanks in Egypt. At the end of the day, though, U.S. financial assistance is the glue solidifying the productive ties. The \$1.3 billion in annual U.S. funding accounts for a reported 80 percent of all procurement in the Egyptian military.

The sailing, however, has not always been smooth. During the George W. Bush administration, relations between Washington and Cairo hit a rough patch. After 9/11, the Bush administration wanted to see its ally in Cairo move decisively to address deeply needed economic and political reforms. As Egypt embarked on its economic reforms, the U.S. administration’s democracy-promotion policy—the so-called freedom agenda—became a constant source of friction between the states. Bilateral problems surfaced shortly after President Bush took office, when pro-democracy activist and dual U.S.-Egyptian national Saad Eddin

Ibrahim was incarcerated for “defaming Egypt.” In 2003, prior to the Iraq war, the administration made \$130 million in U.S. foreign assistance conditional on his release. Though Ibrahim was ultimately freed, for the remaining five years of the Bush administration, President Mubarak did not visit Washington.

Another point of contention was the January 2005 arrest of presidential candidate and Mubarak critic Ayman Nour. Following his apprehension, then secretary of state Condoleezza Rice postponed a planned visit to Egypt. When she did eventually visit Cairo in June of that year, she gave what was billed as a “major policy speech” on democracy. In this poisoned environment, little appetite remained in the Bush administration to move forward with a free trade agreement (FTA), a priority item for economic reformers within the National Democratic Party (NDP).

Toward the end of its second term, bogged down in Iraq, the Bush administration’s freedom agenda ran out of steam. Washington, for example, offered uncharacteristically tepid criticism of Egypt’s arrest and conviction of a student blogger in April 2007, did not note canceled municipal elections in 2006, and barely remarked upon constitutional “reforms” in 2007 that enshrined the emergency law (see this paper’s introduction) into the constitution.

Likewise, around the same time, U.S. ambassador to Egypt Francis Ricciardone described Ayman Nour’s fate as “an Egyptian issue,” and seemingly legitimated Nour’s arrest by saying “this case is known in Egypt to have both political and criminal dimensions, predominantly criminal.”<sup>140</sup> The ambassador also famously opined during an interview that “If [Hosni Mubarak] had to run for office in the United States, my guess is he could win elections in the United States.”<sup>141</sup> He likewise characterized Egypt as an “exemplary model of religious freedom,”<sup>142</sup> a judgment that ran counter to assessments by Freedom House and the State Department’s own International Religious Freedom report.

But the cessation of criticism and the news and obsequious tone emanating from the U.S. embassy in

Cairo did little to improve the soured environment between the two states. Indeed, in the weeks leading up to Ambassador Ricciardone's departure in February 2008, an Egyptian government-influenced newspaper printed a fabricated story implicating the U.S. diplomat in an extramarital relationship with an Egyptian woman plotting to bomb the U.S. embassy.<sup>143</sup>

Ambassador Ricciardone's successor, Margaret Scobey, was afforded similar treatment. Despite a remarkably restrained confirmation testimony—in which the ambassador-designate devoted only two, albeit harsh and succinct, paragraphs to Egypt's problematic governance record in nine pages of testimony—Scobey was roundly pilloried by the local press even prior to her posting.<sup>144</sup> One particularly nasty editorial the day following her testimony likened the ambassador to “the most famous dog in the world of film”: Scooby Doo.<sup>145</sup>

The end of the Bush administration changed the atmosphere. In an apparent goodwill gesture toward the Obama administration, Egypt released Nour from prison in February 2009, two years early. The White House reciprocated by inviting Mubarak to Washington and choosing Cairo as the site for President Obama's much anticipated June 4, 2009, address to the Muslim world. Perhaps predictably, the word “democracy”—in reference to Egypt—was not mentioned during the speech.

Consistent with the Obama administration's conciliatory approach toward Cairo, Ambassador Scobey continued to lavish praise on Egypt. During a December 2009 visit to Tanta University, for example, she applauded the state of religious coexistence in Egypt, and commended freedom of the press and human rights in the country.<sup>146</sup> Further reassuring Cairo of Washington's new approach, Defense Secretary Robert Gates announced during a visit in May 2009 that the \$1.3 billion in annual military assistance to Egypt “should be without conditions. And that is our sustained position.”<sup>147</sup>

These positions were complemented by the administration's efforts to tread lightly while funding non-governmental organizations (NGOs) in Egypt. While the U.S. embassy was apparently disbursing funds

from the Middle East Partnership Initiative (MEPI) and the Bureau of Democracy, Human Rights, and Labor (DRL) without input from Cairo, the largest U.S. source of funding—USAID—provided funds only to NGOs registered with—and approved by—the regime.<sup>148</sup>

Indeed, the first ostensibly critical administration reference to governance issues in Egypt seems to have come in May 2010, when a press statement expressed disappointment with Cairo's decision to extend its State of Emergency. Then, in September 2010, according to the official “readout” of a White House meeting between presidents Obama and Mubarak that occurred on the sidelines of renewed Israeli-Palestinian negotiations:

The leaders also discussed various regional issues of mutual interest, and President Obama reaffirmed the importance of a vibrant civil society, open political competition, and credible and transparent elections in Egypt. The President welcomes commitments Egypt has made as part of the United Nations Human Rights Council's Universal Periodic Review.<sup>149</sup>

Notwithstanding this rhetorical nod to democracy and human rights, as the sensitive political transition in Egypt approached—in particular the 2011 presidential elections—the U.S. administration appeared hesitant to hammer Mubarak on these perennial hot-button issues. This ambivalence over whether to support the continued stability provided by the authoritarian Mubarak regime or a transition to a new government with an unknown disposition toward Washington was best reflected in the administration's response to Egypt's January 25 revolution.

Essentially, the administration demurred and vacillated on the issue of whether Mubarak should step down until weeks had passed and the demonstrators' victory became obvious. Early on, Vice President Joe Biden had stated that Mubarak was not a dictator and should not step down.<sup>150</sup> Then, later, when demonstrations gathered momentum, the administration dispatched former U.S. ambassador Frank Wisner to Cairo to privately ask Mubarak to step down. In the subsequent series of statements that issued from the White House, President Obama did not define the

U.S. position as calling for Mubarak to leave “now” or to await the end of his preferred eight-month transition period.

### Ongoing Concerns with Islamists

Now that Mubarak is gone, the administration is clearly rooting for a new Egyptian government led by liberals. An ultimate victory by the Islamists, however, would present severe complications for Washington's Middle East policy.

The Muslim Brotherhood (MB) constitutes the most potent and coherent opposition group in Egypt, and has long boasted that it implements democratic practices in its internal matters. Brotherhood leaders, in fact, point to the 2009 decision by Supreme Guide Muhammad Mahdi Akef to step down—instead of remaining for a second term—as proof of the organization's respect for democratic traditions, in sharp contrast to NDP practices. Notably, these claims were refuted post-revolution by the MB's youth contingent, who publicly criticized opaque decisionmaking within the organization.

For Washington, though, the idea of yet another Islamist party assuming power in the region—particularly one that is on record as supporting the “resistance” in Palestine, rejecting a negotiated settlement of the Israeli-Palestinian conflict,<sup>151</sup> and advocating the destruction of the Jewish state<sup>152</sup>—obviously holds little appeal.

Recognizing the significance of the MB, the Obama administration, like its predecessors, has maintained midlevel contacts with the group through the U.S. embassy in Cairo, contacts largely confined to Islamist members of the now defunct parliament. As such, Washington invited eleven members of the MB parliamentary bloc to attend President Obama's Cairo speech. The Islamists were not invited to participate in the private meeting with the president, though. According to then Islamic bloc leader Muhammad al-Katatny, this compromise solution indicated that the United States could not avoid the Islamists when meeting with the “influential opposition” in Egypt.<sup>153</sup>

Back in Washington, the debate continues about the official U.S. policy toward the Egyptian MB.

While the group rejects violence—and has an antagonistic relationship with al-Qaeda—the concern is that the MB is employing liberal means (i.e., the ballot box) to achieve illiberal ends (i.e., the establishment of an Islamic state). While the proscription on religiously based political parties remains enshrined in the Egyptian constitution, the MB has declared its intent to establish the Freedom and Justice Party, enabling the Islamists for the first time to not stand as “independents” in parliamentary and presidential elections.<sup>154</sup> And they will likely perform well, making it increasingly urgent that the administration develop a clear policy on U.S. contacts with this Islamist organization—and its more moderate cousin, the Wasat Party.

### Imperfect Liberals

The emergence of the Kefaya movement, Ayman Nour's 2005 presidential candidacy, and Mohamed ElBaradei's 2009 return to Egypt firmly established the presence of a liberal opposition to authoritarianism. In just five years, this liberal trend succeeded in focusing unprecedented local and international attention on governance issues in Egypt, and eventually in orchestrating the toppling of the Mubarak regime.

At present, it is unclear who will emerge as Mubarak's replacement. While many Egyptians may consider ElBaradei and Nour to be compelling liberal alternatives, these leaders suffer from a lack of widespread popularity at home and have drawbacks from Washington's perspective. There are indications, for example, that ElBaradei may not share the former regime's affinity for the United States, concerns about Iran, or tolerance of Israel.

As head of the International Atomic Energy Agency (IAEA), not only did ElBaradei condemn Israel for bombing Syria's nuclear facility in 2007—suggesting he would oppose U.S. military action to prevent Tehran from acquiring a nuclear weapon—in 2009 he declared Israel the “No. 1 threat to the Middle East.”<sup>155</sup> In fact, during his tenure at the IAEA, he was so disposed toward Tehran that, after his departure, when the IAEA issued an uncharacteristically critical report on the state's nuclear program, the Iranian foreign minister lamented the departure of ElBaradei.<sup>156</sup>

Ayman Nour is less problematic in some ways. Charismatic and intellectually impressive, Nour is unabashedly pro-Western in his orientation, openly advocating unambiguous U.S. support for democracy and human rights in Egypt.<sup>157</sup> At the same time, Nour has a large ego, which apparently makes it difficult for him to work with other like-minded liberals. And if accounts from former al-Ghad Party members and other Egyptian liberals are to be believed, Nour has problems with Jews and Israel.<sup>158</sup> While this author's meetings with Nour revealed no signs of this alleged prejudice, his critics point to a 2010 appearance at a Muslim Brotherhood rally in commemoration of units that fought in 1948 to prevent the establishment of Israel as supporting the claim.<sup>159</sup> In Egypt, however, where the official regime press has long been among the world's most anti-Semitic, Nour's alleged transgressions on this front are relatively benign.

At one time, another potential liberal candidate for the presidency might have been Wafd Party head El Sayed El Badawy. El Badawy, who was elected chairman of the Wafd in May 2010, replacing the party's perennial chief Mahmud Abuza, is charismatic, telegenic, and wealthy. Moreover, he owns a television station and a controlling interest in the "independent" Egyptian daily *al-Dustour*.

Alas, in the run-up to the revolution, El Badawy was discredited when he sought to become part of the loyal opposition. In October 2010, less than two months after El Badawy took control of *al-Dustour*, it was announced that Ibrahim Issa, the popular editor of the newspaper, had been dismissed.<sup>160</sup> The firing of Issa, a sharp-tongued critic of the Mubarak regime, was widely understood as an effort by El Badawy to ingratiate himself and the Wafd with the NDP. So, too, was El Badawy's advocacy for participating in—and thereby legitimating—the 2010 parliamentary elections, which the un-co-opted opposition boycotted.

Though not "liberal," former regime functionary Amr Mousa—for lack of a better category—could also be considered part of this trend. Mousa, a known quantity in Washington, supported the 1991 U.S.-led effort to expel Iraqi forces from Kuwait. At the same time, he has, over the years—in his capacity as Egyptian foreign

minister and Arab League secretary-general—proved a critic of U.S. policy in the region. He has also frequently taken a populist line on Israel, such as when he accused the Jewish state in 2003 of "state terrorism" after it bombed a Palestinian Islamic Jihad training camp in Syria in response to attacks by the Damascus-based group that claimed nineteen victims in Haifa.<sup>161</sup> Nevertheless, representing continuity from the Mubarak era, Mousa—who is seventy-four years old—would likely be amenable to the Egyptian military.

Of course, it's quite possible that none of these figures will emerge as Egypt's chief executive. Indeed, given the military's seemingly burgeoning cooperation with the Islamists, someone like former air force commander and vice president Lt. Gen. Ahmed Shafiq could emerge as the establishment's candidate for president. In addition to having the confidence of former regime figures and the respect of the business community for his role, as head of civil aviation, in overhauling Cairo airport, Shafiq has credibility with the military, having served during the 1973 October war and the subsequent War of Attrition.<sup>162</sup> Three-term chief of staff Gen. Sami Anan, who is due for mandatory retirement in 2011, could also emerge as the military establishment's candidate.

## Meet the New Nasser?

Provided a smooth transfer of power occurs, Mubarak's successor will almost certainly work, after consolidating power, to reestablish Egypt's once preeminent position in the region. In search of approbation across the Middle East and popularity at home, Egypt's new leadership may, in turn, consider a reorientation of the state's foreign policy that reflects a more populist (i.e., anti-Western) bent.

In short, it is possible that Egypt could become like Turkey under the Justice and Development Party.

Turkish prime minister Recep Tayyip Erdogan has seen his stature grow in recent years as Ankara has increasingly pursued an anti-Western and anti-Israel foreign policy. The trend started in 2003 when Turkey rebuffed Washington's request to transport military materiel across its territory to northern Iraq. More recently, this policy has been characterized by

Erdogan's highly public chilling of relations with erstwhile ally Israel—a move that has both endeared the Turkish premier to people across the region and shored up his popularity at home—and the establishment of military ties with China.

Erdogan's assertive foreign policy earned him the moniker the “new Nasser,” a reference to the Egyptian president who presided over a period of unrivaled regional dominance in the mid-twentieth century. But Gamal Abdul Nasser died forty years ago, and ever since, Egyptian power and regional influence have steadily eroded. Today, Cairo's diplomatic and political muscle is atrophied.

In an effort to reinvigorate Egypt's regional standing, Mubarak's successor might find it expedient to follow the Turkish model and rediscover Nasserism. The former leader remains a revered icon in Egypt.<sup>163</sup>

For Washington, a more robust Egyptian foreign policy would doubtless be a welcome change, but a return to Nasserism—or any shift out of the Western orbit—would be problematic. After all, Nasser's years in office were difficult ones for the United States in the Middle East. During his tenure, Egypt toppled one government in Yemen and attempted to remove another in Lebanon; the state also nationalized the Suez Canal, provoked a war with Israel, and inspired several revolutions in the region.

While a shift in Egyptian foreign policy might not imply a break with Washington, it would entail

a less reliable regional ally. Notwithstanding Cairo's dependability, history suggests that concerns about shifts in Egyptian policy are well founded. Most famously, Anwar Sadat expelled 20,000 Soviet military advisors in 1972, laying the groundwork for a reorientation of Egypt toward the West. In the decades since, Egypt has established defense relationships with some of Washington's leading nemeses and rivals. In the 1980s, Pyongyang (North Korea) helped Cairo build a Scud B factory; in the 1990s, North Korea helped Egypt develop the Scud C; and in 2010, Egypt and China delivered the 120th Aero L-29 Delfin, a training plane.<sup>164</sup>

In addition to its dalliances with North Korea, Cairo has engaged in nuclear activities first deemed a “concern” by the IAEA in 2005. Nearly five years on, according to the last publicly available reporting on the matter, the source of some high- and low-enriched uranium particles discovered at the Egyptian Nuclear Research Center of Inshas remains a mystery to the IAEA.<sup>165</sup>

Given Washington's already tenuous relations with Ankara, and despite Cairo's relative weakness in recent years, any change in Cairo's orientation would undermine an already shaky U.S. strategic architecture in the region. In fact, should Cairo leave the U.S. orbit altogether, then for the first time in modern history, all three civilizational powers of the Middle East—Iran, Turkey, and Egypt—would be at odds with the United States.

## 6 | Policy Recommendations

This country is 7,000 years old. It has seen so many transitions ... and our last transition was through the assassination of our former president [Anwar Sadat], and yet we were able to steady the course.<sup>166</sup>

—Former Egyptian prime minister Ahmed Nazif,  
September 29, 2010

FOR THE PAST THIRTY YEARS, Washington has relied on Hosni Mubarak's Egypt, along with Israel, to form the foundation of its regional security architecture. While authoritarianism has contributed to growing resentment and ultimately instability at home, Egypt under Mubarak was a decades-long partner, helping the United States advance its core objectives of peace and stability in the Middle East. For Egyptians, the Papyrus Revolution and the end of the Mubarak era have been an unmitigated cause for celebration and optimism. For the United States, however, this period of transition is characterized by trepidation as well as hope.

Leadership changes in Egypt are remarkably rare. Since the 1952 revolution, Egypt has essentially had only three leaders—Gamal Abdul Nasser, Anwar Sadat, and, for the past thirty years, Hosni Mubarak. Two of these transfers of power—to Nasser and Sadat—led to dramatic shifts in Egyptian policy. Mubarak's departure comes at the nadir of Egypt's regional influence and coincides with resurgent Iranian soft power in the Gulf and Levant.

In large part, Egypt's diminished clout results from its long-stagnant domestic politics under Mubarak and his National Democratic Party (NDP). Mubarak's departure provides an opportunity to emerge from the morass and reestablish the state as a dynamic regional actor. Yet even as the transition holds the promise of democratic reform for Egypt, it also threatens to retard if not reverse some of the hard-won economic reforms of recent years. It is not difficult, for example, to imagine how perceptions of inequity during the previous regime might dissuade a new leadership in Cairo from pursuing necessary, if controversial, subsidy reforms.

Regardless of who inherits the Mubarak mantle, Egypt's next government will face a host of regional

and domestic policy dilemmas. And the pressure for the new government to solve these problems will be intense. In this context, pursuing any policies of the ancien régime, particularly those related to Washington or Israel, may spark a backlash. Should Cairo respond to such challenges with increased authoritarianism or with populism—à la Erdogan's Turkey—it would exacerbate the problems at home and undermine U.S.-Egyptian bilateral ties.

The new Egypt will face enduring challenges. Mubarak may be gone, but a series of other debilitating problems remain that, unless remedied, will continue to prompt public dissatisfaction, anger, and, potentially, instability.

Given the present situation, the trajectory of Egyptian politics remains unclear. The military's transition plan could fail or it could seek to impose a modified version of the old system. More likely, the military will seek to conduct elections and return to the barracks as soon as possible, leaving the task of governing to civilians.

If the liberal opposition prevails over the Islamists and a recalcitrant NDP political machine, Washington will need to embrace the new government and invest heavily and quickly in its success, lest the Islamists exploit its failure. In such a scenario, U.S. policy should look to capitalize on the change in leadership to improve Egyptian governance at home and reinvigorate Cairo's traditional regional role. Despite deep political and continuing military ties, U.S. leverage with Cairo remains modest. Nevertheless, Washington can help stabilize the new regime while simultaneously encouraging positive change for the Egyptian people.

As Egypt approaches this crossroads, Washington must take steps to nudge Egypt toward a better future in tandem with its U.S. partner. Among other things, an effective U.S. policy for this transition period in Egypt would:

■ **Encourage a transparent transition.** In the coming months, Egypt will begin to dismantle the NDP's political monopoly. This process will require extensive

constitutional and legal changes that will almost certainly be opposed by former regime remnants and perhaps even the military. If these important changes are to be effected, then, it will be important for the process to be transparent.

The Obama administration has already weighed in publicly on the importance of transparency in Egypt's political transition. In a December 2010 *Washington Post* op-ed, Michael Posner, assistant secretary of state for democracy, human rights, and labor, argued that credible presidential elections—then slated for September 2011—would “bolster citizens’ confidence” in their government.<sup>167</sup> More recently, in February 2011, Deputy Secretary of State James Steinberg said that the administration was working to ensure that political transitions were “deliberate, inclusive, and transparent.”<sup>168</sup>

Although widely respected, the Higher Military Commission, which is managing the political transition from the Mubarak era, has not thus far proved a particularly transparent body. For example, weeks after the military takeover, names of all the officers and civilians sitting on the commission had still not been published. Moreover, Egyptian civilians did not themselves determine who would be involved in the ten-day process of redrafting articles of the constitution. Worse, Field Marshal Muhammad Hussein Tantawi, who leads the military and oversees the transition, is not considered to be a supporter of economic or political reform.<sup>169</sup>

While the Egyptian army remains the most respected institution in the state, there are indications that the top brass may be resistant to a shift to civilian control over the military. In fact, the military has a lot to lose in this period of transition, and may try to preserve its privileged position in society by presiding over only modest changes to the political system.

The skeptical opposition is watching closely, hoping to keep the military honest. To sustain the pressure and its sole point of leverage, the opposition—as of late February—had not yet demobilized. In March and April, however, state security forcibly removed persistent demonstrators from Tahrir Square. During a large demonstration on April 1, held under the banner

“Friday to Save the Revolution,” growing frustration with the military was palpable.

As with the revolution, Egyptians will be responsible for doing the heavy lifting to ensure the transition goes in a democratic direction. But Washington can play a role in making the process transparent. One way to engage in this effort would be to provide funding to the National Democratic Institute and the International Republican Institute, as well as to the International Foundation for Electoral Systems, to work with Egyptian nongovernmental organizations (NGOs) during the complex period ahead.

These U.S. entities have experience in providing much-needed technical expertise and can share critical lessons learned from similar transitions for which achieving maximum public buy-in was a priority. Given Egyptians’ long experience with authoritarian government and dirty tricks, any experience that Washington can provide could go a long way toward building confidence among Egyptians that a credible process of reform is under way.

On February 17, Secretary of State Hillary Clinton announced that \$150 million in foreign assistance funding had been “reprogramm[ed]...to put ourselves in a position to support our transition [in Egypt] and assist with their economic recovery.”<sup>170</sup> While this assistance offers a good start, it falls woefully short in both economic and humanitarian terms for a country of 83 million people.

■ **Reallocate financing for civil society.** After the Papyrus Revolution, it might be tempting for a cash-strapped Washington to declare victory and reallocate or remove funds for democracy- and governance-related activities. Given Egypt’s 7,000-year history of authoritarian government, however, guarding against the retrenchment of authoritarianism in the state will be particularly important.

The U.S. trend in recent years has been to reduce funding for democracy- and governance-related activities in Egypt. In 2008—at the end of the Bush administration—democracy and governance accounted for nearly \$55 million; in 2009 only \$20 million was provided for these activities. At the same time, funding

for the grants administration program was reduced dramatically from \$32 million in 2008 to \$7 million in 2010.<sup>171</sup> More problematic still, in 2009 the United States Agency for International Development (USAID) obliged Cairo's demand that only NGOs registered with the Egyptian Ministry of Social Solidarity—i.e., non-opposition-affiliated NGOs—be eligible for grants.<sup>172</sup>

While in 2009 the State Department's Middle East Partnership Initiative (MEPI) also administered civil society grants in Egypt worth \$1.3 million, it is unclear whether these under-the-radar projects met even the low level of achievement of their higher-profile predecessors.<sup>173</sup> This present period of transition presents an opportunity for Washington to shift funding aggressively away from former regime/government NGOs (GONGOs) to local organizations not hand-selected by the former regime.

In addition to funding civil society organizations dedicated to promoting democratic development, Washington should focus on supporting other non-controversial endeavors such as fighting corruption, a scourge estimated to have cost Egypt nearly \$58 billion between 2000 and 2008.<sup>174</sup> Other productive avenues for U.S. support include organizations concentrating on poverty alleviation and vocational education. It will also be increasingly important for Washington to support youth organizations in an effort to channel in a positive direction what almost certainly will be continued frustrations with the new government.

Some NGOs in post-Mubarak Egypt might be hesitant to accept U.S. funding. More than likely, however, the freer environment will result in a proliferation of organizations looking to partner with Western donors.

Despite the obvious popular appeal of some of the causes just outlined, it may be difficult, given the military's sensitivities, to marshal and deliver support for these emerging NGOs. In particular, as the military seeks to reestablish law and order and shepherd a return to economic normalcy in the state, it will likely remain preoccupied with possible Islamist inroads. The last thing the military wants is for Iran—or Saudi Arabia—to start funding Egyptian Islamist NGOs. As

a result, the NGO funding climate may remain somewhat constrained.

Nevertheless, if Egypt is to move in the right direction, timely U.S. support for civil society will be pivotal. U.S. assistance to NGOs committed to reform can help prepare the Egyptian people, who have lived for more than a half century under military rule, for a transition to a democratic system.

■ **Defer cuts in aid.** When the Carter administration started the aid program following the Egypt-Israel peace agreement, U.S. assistance accounted for nearly 11 percent of Egypt's gross domestic product (GDP). Today, U.S. funding equates to just about a quarter of a percent. Clearly, Washington's commitment to Cairo has been more symbolic than influential, but it still does tie Egypt to the United States. Most important, this relatively modest investment cements the countries' military relationship, which is critical at this sensitive time.

Provided that a process of real political reform continues, Washington should at a minimum maintain its military and economic assistance at Mubarak-era levels. As Egypt enters this period of uncertainty, U.S. assistance can help move the state toward stability.

Facing unprecedented deficits and a Republican Congress sworn to financial discipline, cutting U.S. foreign assistance programs is gaining appeal in Washington. Yet a drastic move in that direction vis-à-vis U.S. assistance to the Middle East could fuel cynicism in the region about U.S. commitment to democracy, weaken a presumably fragile new government, and cause an already wary Egyptian population to turn fundamentally against the United States.

Of particular importance in this regard is continued U.S. funding for the Egyptian military, which at present stands at \$1.3 billion per year. Clearly, the past thirty years of U.S. funding did not provide Washington with the kind of insight into the inner workings and sentiments of the army that would have been useful in February 2011. But according to Secretary of Defense Robert Gates, the military's "restraint [during the demonstrations] was a dividend from decades of U.S. investment in training and mentoring Egyptian military officers."<sup>175</sup>

Given the uncertainties related to the transition—and the military's role in it—continuing to invest in the military-to-military relationship is a must. The revolution is far from consolidated, and preserving influence at a time when few have any leverage to speak of is critical to ensuring a smooth landing for Egypt both politically and economically. Also, despite economic hardships at home, Washington should be prepared to offer immediate humanitarian and economic assistance for the people of Egypt that exceeds the \$250 million appropriated last year.

Hard times are ahead for Egypt. During the revolution, the stock market bottomed out, foreign capital fled, and Standard and Poor's downgraded its Egypt investment rating. Since Mubarak's departure, dozens of worker strikes have beset the state, slowing the resumption of economic normalcy. Making matters worse, tourism, the state's second largest source of revenue and a key driver of the domestic economy, will likely not rebound for some time. Given the scope of the need, the \$150 million promised by Washington in February—presumably the largest part of an international fund for Egypt—is clearly not sufficient to help Egypt maintain stability through this critical period.

During the Papyrus Revolution, the U.S. administration's statements—at times supporting Mubarak, at times supporting the demonstrators—diminished Washington's standing with the Egyptian people. While provision of wheat alone will not likely succeed in burnishing the U.S. reputation in Egypt, it will go a long way toward reestablishing a positive connection between the United States and the Egyptian people.

Washington can further demonstrate its commitment to the people of Egypt by helping Cairo track down and repatriate the ill-gotten assets of former regime cronies. When returned, these funds—which undoubtedly run into the billions—will provide an important short-term boost to the new government. Until then, Washington should consider providing Cairo with an advance on these funds. Whether by freezing assets or engaging a firm like Kroll Associates to investigate and trace pilfered state funds, the United States being seen as a partner in this

endeavor can only but shore up its bona fides with the Egyptian public.

■ **Emphasize government performance.** The events that led to the current revolution were rooted in the poor governance of the previous regime. In recent years, Egyptians have staged an unprecedented number of protests—both political and labor oriented—and such expressions of public dissatisfaction are sure to continue, unless and until the government of Egypt takes effective steps to ameliorate local conditions—most importantly by improving the provision of services to the Egyptian people.

Washington has a keen interest in seeing the new government succeed where Hosni Mubarak failed. Yes, economic reforms in the last seven years produced an impressive increase in Egypt's GDP. But little trickle-down has occurred. Indeed, as noted, according to an authoritative 2009 report published by the Board of Trustees of the General Authority for Investment and Free Zones in Egypt, the benefits of economic expansion failed to trickle down to the poor, creating a growing gap between the very rich and everyone else.<sup>176</sup>

In the first instance, for Cairo this means not only tackling the corruption of the former regime, but establishing mechanisms to prevent and hold to account new perpetrators of corruption going forward. Perhaps more important for the next government, though, this will entail more effectively addressing the problem of poverty. Rather than merely continuing to treat the symptoms of dispossession by distributing subsidies, Washington should encourage Cairo to concentrate on empowering the 40 percent of Egypt's population who earn less than two dollars a day by creating higher-paying jobs and improving the overwhelmed education system. During this period, the administration should itself reorient U.S. assistance away from fiscal sector reform to meeting the basic needs of impoverished Egyptians.

No doubt, the consensus issue driving the revolution in Egypt was a desire to end the corrupt, capricious, and oppressive Mubarak regime. But unemployment and poverty were also leading factors in the frustration and dissatisfaction motivating the

demonstrators. Expectations, therefore, will be high for Egypt's next government to improve standards of living in short order. Even marginal progress on this front would be considered a success. If the next—presumably secular liberal—government that takes office does not succeed, however, the sentiment could grow that “Islam is the solution.”

In the near term, combating the appeal of Islamism may mean deferring further economic reforms. Given the potential for Islamists to capitalize on the mistakes of a failed first-term liberal government, now may not be the time to worry about eliminating subsidies.

Improving governance also implies that Cairo must do more to demonstrate that the state is a place for all its citizens. In this regard, Washington should continue to press Egypt to rectify its atrocious record on religious freedom—particularly regarding the ever-dwindling population of Coptic Christians—a record documented in some detail in the State Department annual report on religious freedom. Instead of praising Egypt as a model of religious coexistence—a longstanding practice for American diplomats in Cairo—Washington should challenge the Egyptians both publicly and privately to end its *de jure* and *de facto* policies of discrimination. Several leading liberals as well as Islamists have already pledged to do so. They should be kept to their word.

■ **Support liberal democracy.** The Obama administration should make clear that the United States seeks to promote democracy and liberal democrats. Indeed, the gains of the revolution will only be consolidated if those committed to lasting democracy win. There is little doubt that Washington will be branded hypocritical for expressing a preferred flavor of opposition, but the message is coherent: Egyptians will be ill served by a new government with autocratic tendencies, be it the Islamists or the military.

Although support for the Muslim Brotherhood (MB) in Egypt is significant, the organization hardly qualifies as a proponent of liberal secular democracy. First, there is the MB view of minorities, which does not promote the notion of Egypt as a state of all its citizens. To wit, historically, not only did the organization

advocate the imposition of a *jizya* tax on Christian and Jewish residents of Egypt, the MB Supreme Guide argued that the top officials in the army “should be Muslims since we are a Muslim country.”<sup>177</sup> More recently, a senior MB official stated that the organization's platform did not accept Copts—or women—serving as president.<sup>178</sup>

The MB's own March 2004 reform initiative document provides perhaps the best representation of the group's view of a “civil state.” This paper lays out the organization's proposed policies on a broad range of issues, including women, education, culture, and politics.<sup>179</sup> Among other things, the MB proposes reinstituting the Islamic system of *bisba*, which entrusts the state with ensuring the observance of sharia (Islamic law).

Consistent with this framework, the MB reform document also bans the practice of *ribh* (or usury), advocates censorship of the cinema and theater “in accordance with the principles and values of Islam,” and stipulates that women should only hold positions that “preserve [their] chastity and dignity.” Most problematic for democratic societies, perhaps, the MB suggests that, if in power, it would censor media content to ensure its consistency with “the provisions of Islam.” Taken as a whole, the 2004 MB document lays out a vision more consistent with an Islamic state than a vital democratic society.

Since 2004, the policies advocated by the MB have changed little. In its 2007 platform published in the Egyptian daily *al-Masry al-Youm*, the organization stated that “the principles of Islamic Sharia law....represent the governing policy in determining the priorities of goals, policies, and strategies [of the government].”<sup>180</sup>

The MB has not yet had a chance to implement this vision. But with Mubarak gone and the domestic security apparatus seemingly adrift, Egypt's Islamists are experiencing a renaissance. Yusuf al-Qaradawi—perhaps the most popular Muslim preacher in the region and a detractor of the Camp David treaty—returned briefly from his longtime exile to Egypt, and will surely gain a following during subsequent trips. More ominously, according to *al-Masry al-Youm*, al-Gamaa al-Islamiyah (Egyptian Islamic Group)—responsible for dozens of

terrorist attacks in Egypt in the 1990s—met publicly on February 14 for the first time in decades.<sup>181</sup> The Gamaa may even attempt to establish a political party.

The hysteria surrounding the potential that Islamists could immediately “take power” in Egypt is unwarranted. But the MB’s impressive infrastructure, provision of services, funding networks, and longstanding informal associations give it a clear leg up in a state previously ruled by a single party.

Recognizing Washington’s limited influence in determining the rules of this transition, the Obama administration can help level the political playing field, for example, by advocating a longer period of transition. Such an extension would allow more time for new, liberal political parties to be established. Opposition leader Mohamed ElBaradei has articulated support for an extended transitional phase, and so should the United States.<sup>182</sup> Of course, absent Egyptian consensus behind an extension of the transition period, U.S. support for continued martial law in Egypt would come across as problematic. Still, a longer transition period would seem to favor the prospects of the liberals.

This entire dynamic begs the question of why the military is moving so quickly to cede political power when such a hand-off threatens to tip the political balance in favor of the Islamists.<sup>183</sup> While such an approach seems counterintuitive—given the common wisdom that the military views the Muslim Brotherhood as a threat—the Mubarak regime pursued the same tack for decades. For the military’s part, it may just be most comfortable with the Mubarak-era situation in which the Islamists served as the dominant opposition force. Not only did this symbiotic relationship free the state’s hand to repress the (liberal and Islamist) opposition, it also made the authoritarian regime more palatable to the world. To the degree that the MB-military dynamic exists, breaking the connection should be a U.S. priority.

The United States should also look to promote reform in Egypt’s security sector, where the state security apparatus has long functioned under undemocratic conditions. In the aftermath of the revolution, Egyptian state security was devastated and discredited

and can no longer provide adequate and appropriate security for the population.

At the same time, Washington should encourage both Muslim-majority states and states with significant Muslim minorities with experience making similar transitions—like Indonesia and perhaps India, respectively—to provide technical assistance during the transition process. East European countries that deposed their own dictators could likewise serve as compelling models for a new Egypt. Regardless of which states help out, the process of building democracy in Egypt is sure to take years, requiring U.S. attention throughout. Even though Egypt’s liberals stand to do well in the first post-Mubarak elections, they must deliver—including by developing democratic institutions—or else the Islamists may win the second contest.

At a minimum, as the project of building a new and representative polity begins, Egypt and Washington should aim high. No one knows how the experiment will ultimately end, but Recep Tayyip Erdogan’s increasingly authoritarian Turkey should not be a model. Notwithstanding its impressive economic performance, under the Islamist Justice and Development Party, Turkey is moving away from its sixty-year involvement with the North Atlantic Treaty Organization, constricting freedom of speech, and hacking away at the secular liberal idea of the state enshrined in the Turkish constitution. Liberal democracy in Egypt is the goal.

■ **Reestablish Egypt as a regional actor and shore up the bilateral relationship.** With the exception of a few notably stressful years, the U.S.-Egypt bilateral relationship has been solid for decades. Indeed, putting aside issues of governance, Washington and Cairo have shared a broad range of regional interests and concerns—from the peace process to the prospect of a nuclear Iran—that underpin the long-term strategic relationship. In recent years, however, as Egypt’s regional influence has waned, Washington and Cairo have increasingly struggled to pursue a shared regional vision. Egypt, the United States, and the international community would be well served by Cairo playing a reinvigorated regional role.

Egypt may be poised to embrace such a role sooner than many might have expected. Should Amr Mousa—the presumed presidential front-runner—be elected later this year, his nationalist inclinations may prompt him to work to establish a robust role for Egypt in the international community. He might even adopt a harder-line stance toward Egypt’s rival Iran. Owing to its geographic location, Egypt is also set to play an important role in addressing two-and-a-half failed-state scenarios on its border: those of Northern Sudan, Libya, and Gaza. Egypt already has troops in Sudan and, if necessary, could deploy soldiers to Libya to facilitate a smooth post-Qadhafi transition. The same is true for helping alleviate the humanitarian problems in Gaza and helping prevent further war between the Palestinian Muslim Brotherhood (i.e., Hamas) and Israel. More than Europe or the United States, Egypt is in a position to take on these responsibilities.

Notwithstanding the prospect of an Amr Mousa administration, it may be difficult to cajole an inward-focused Egypt into adopting a more assertive foreign policy. In fact, even maintaining the traditionally close U.S.-Egypt working relationship may prove a challenge, as the next government of Egypt—whether liberal or Islamist—will almost certainly look to reorient its relations with the United States. Indeed, the credibility of Egypt’s first post-Mubarak leadership will rest, at least in part, on its repudiation of the longtime president’s policies, creating headaches—and policy difficulties—for Washington. In effect, Egypt stands

a good chance of looking like Turkey—minus, at least for now, the Islamist aspect—an important, albeit unreliable, friend.

For this reason, each of the policy elements outlined above should be calibrated with the core goal of sustaining the bilateral relationship at this critical moment. Though maintaining close relations with the new Egypt will entail obstacles, Washington must find ways to clear them, especially given the strategic realignment of Turkey, a surging Iran, and the widespread regional perception that the United States is withdrawing from the region. The trajectory of the revolution in Egypt may well look promising, but its continued success is far from certain. Considering the remarkable events in Tunisia, Libya, Syria, and elsewhere in the region, it would be easy to lose focus on developments in Egypt. Yet more than ever, Washington must stay actively involved.

Egypt is a regional bellwether—the most populous Arab state and formerly the most influential. If the democratic experiment succeeds there, other states in transition will fall into place. The Papyrus Revolution was a remarkable achievement for the people of Egypt, but the hard work of consolidating democracy in Egypt remains to be completed. Washington has a strong interest in the outcome and should not pretend otherwise. Its influence should be used to help Cairo manage change while maintaining stability. The fate of more than 80 million Egyptians and quite possibly the region as a whole depends on it.

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