

# Egypt and Washington: Challenges in the Sisi Era

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Brief Analysis

## Two experts discuss how Washington can balance its sometimes conflicting interests in Egyptian security and human rights.

*On October 31, Barak Barfi and Michele Dunne addressed a Policy Forum at The Washington Institute. Barfi is a research fellow at the New America Foundation and author of the recent Institute study [Egypt's New Realism: Challenges Under Sisi \(https://www.washingtoninstitute.org/policy-analysis/view/egypts-new-realism-challenges-under-sisi\)](https://www.washingtoninstitute.org/policy-analysis/view/egypts-new-realism-challenges-under-sisi). Dunne directs the Middle East Program at the Carnegie Endowment for International Peace. The following is a rapporteur's summary of their remarks.*

## BARAK BARFI

Egypt saw a period of economic growth in the late 1990s and early 2000s, but it was fueled primarily by domestic consumption rather than exports. As a result, the country had trouble balancing payments and experienced a severe foreign currency shortage. Historically, it relied on tourism and foreign direct investment to cover such shortfalls, but those revenue streams have dried up significantly.

Unlike Saudi Arabia and other Persian Gulf countries, Egypt is not a rentier state that relies on a single commodity. Indeed, it was the largest recipient of American aid until the Six Day War, and probably the largest recipient of foreign aid from the Soviet Union. After Anwar Sadat assumed power in 1970, Gulf countries increased their aid to Cairo, which partially alleviated its problems with balancing payments. Following the 1973 war and the 1978 Camp

David Accords, Washington resumed its financial assistance.

Beginning in the 1970s, the International Monetary Fund sporadically implemented programs in Egypt. Yet because they dealt mainly with balance of payments, none of them resulted in any significant economic growth. Cairo is doing better with its current IMF program, under which it is implementing noteworthy reforms. Prior to this program, foreign currency reserves dipped below \$15 billion in 2014-15, or less than three months' worth of imports, the IMF-recommended minimum. Since then, cash infusions from Gulf states have stabilized the reserves.

Egypt's primary revenue stream is tourism. Yet while around 900,000 visitors traveled there per month as recently as 2015, the numbers fell by half following the terrorist bombing of a Russian airliner over the Sinai that October. They have not rebounded since—a big problem given that Egypt needs to create 700,000 new jobs a year just to stay even with population growth.

Beyond these financial woes, the Grand Ethiopian Renaissance Dam is a leading concern for Cairo. Most likely, the dam will **significantly reduce the amount of water Egypt receives** (<https://www.washingtoninstitute.org/policy-analysis/view/breaking-the-stalemate-in-the-egypt-ethiopia-dam-dispute>), especially while the reservoir is being filled up to 70 billion cubic meters. Cairo's interpretation of its Nile water rights is based on colonial treaties that most other Nile basin states have not signed—in particular, a 1959 treaty with Sudan that perpetually provides Egypt with 55 billion cubic meters per year and Sudan with only 18.5 billion. According to the UN Development Programme, the Egyptian extraction rate is even higher than that. To limit the impact on Egypt's annual water supplies, Washington should urge Ethiopia to revise its timeframe for filling the dam from four years to seven years.

As for Cairo's record on human rights, it remains worrisome. President Abdul Fattah al-Sisi's government has cracked down on all types of opposition and is perhaps even more repressive than Gamal Abdul Nasser's regime. Recently, for example, a writer was arrested simply for criticizing Cairo's subsidy reductions. Yet even if Washington were willing to take greater action, pressing Sisi on human rights would not be effective. Perhaps more important, this issue is not a priority for most Egyptians, who tend to be more interested in stability, security, and economic improvements.

To be sure, the government's new NGO law is a major problem for civil society. Yet consistent with the country's increasing xenophobia since 2011, many Egyptians believe that NGOs are foreign agents undermining the state.

Today, there is little evidence of popular support for political opposition to Sisi besides Islamists. Egypt's leftist parties long ago lost most of their resonance, leaving Islamism as the only ideological opposition to Nasserism and similar movements. Although tens of thousands of Islamists are in jail, the Muslim Brotherhood is far from destroyed. In the past, regional authoritarians like Nasser, Muammar Qadhafi, and Hafiz al-Assad all failed to eliminate the movement. Today, the Egyptian branch still acts as a state within a state, offering welfare services to many citizens. According to one scholar, the Brotherhood runs between 1,500 and 2,000 clinics in Egypt, and around 20 percent of the country's 5,000 extant NGOs belong to the group. The Brotherhood remains an organization of middle-class professionals, and it will likely re-emerge by building a new generation of members on college campuses, just as it did in the 1970s. Yet fundraising will be difficult because its traditional providers of financing and support in the Gulf have now distanced themselves from the group.

## MICHELE DUNNE

**M**anaging population numbers is the most important factor in Egypt's socioeconomic development. From the 1970s to the early 2000s, the country made significant progress in reducing population growth. Over the past ten years, however, the fertility rate has crept back up to 3.5 children per family. Egypt now has a population of over 96 million, and it is expected to reach 128 million by 2030.

Such numbers would pose a major problem, especially with regard to water shortages. The Renaissance Dam is

therefore a crucial bilateral issue between Cairo and Ethiopia. If the project is completed slowly as expected, Egypt will not experience a rapid decrease in water availability. Yet even if the dam did not exist, Egypt would still face real water challenges in the long term due to population growth and dysfunctional irrigation methods.

Cairo is not doing enough to address these challenges. Rather, it is focused on megaprojects and expensive monuments such as a new administrative capital. Most Egyptians are skeptical about the utility of these kinds of projects. No doubt, the country has a large labor force that needs to be employed. Yet by focusing on questionable megaprojects and allowing the military to extend itself deeply into the economy, the government is leaving little space for private sector growth that can employ large numbers. Officials have continued to promote more foreign direct investment and tourism. Yet while the latter is a big employer, it requires favorable security conditions. Energy is another promising sector, but not a big employer.

Barak Barfi's [new Washington Institute study \(https://www.washingtoninstitute.org/policy-analysis/view/egypts-new-realism-challenges-under-sisi\)](https://www.washingtoninstitute.org/policy-analysis/view/egypts-new-realism-challenges-under-sisi) provides a lot of important detail, but it lacks sufficient deliberation on freedom of expression and association. Repression in Egypt is a lot darker than the study suggests, and much worse than it was under Hosni Mubarak. Most victims of state-sponsored violence are young people, and independent media outlets no longer exist. After the revolution, Sisi employed very high levels of brutality to rebuild the wall of fear. Determining the local population's true opinions on him is difficult because there is no good polling in Egypt. His repressive policies will likely continue for some time; many signs indicate that he plans to amend the constitution in order to abolish term limits and remain in office indefinitely.

Barfi's study recommends that the United States press Sisi to step down in 2022. Washington should also develop scenarios for when he does not do so. Given the Egyptian public's growing skepticism about him, U.S. officials may be able to exert more influence there going forward. Congress could decide to place conditions on aid again, or change the balance of Foreign Military Financing and Economic Support Funds. Instead of increasing economic assistance, the United States should consider shifting aid toward water issues, human development, and education. Another productive step would be to shift military aid from large legacy weapons systems to counterterrorism-related systems, thereby meeting a more urgent priority.

*This summary was prepared by Reda Ayadi. ❖*

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