

# Egypt: Political Transition and U.S. Policy

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## ABOUT THE AUTHORS



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Brief Analysis

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## Given Egypt's fluid post-revolutionary environment, Washington must be judicious as to when and how it attempts to exert influence on the domestic political scene.

Six months since the revolt that ended the Mubarak era, the trajectory of Egypt's transition remains uncertain. Egypt's economy is deteriorating. Meanwhile the Islamists -- the Muslim Brotherhood (MB) and its more militant Salafist cousins -- appear poised to win a plurality of votes in the impending parliamentary elections. Equally alarming, for the first time since the 1978 Camp David Accords, the peace between Egypt and Israel may be in jeopardy. The shifting political landscape poses a challenge for Washington, which has long seen Cairo as a key regional partner.

To discuss how transition in Egypt will impact the U.S.-Egyptian bilateral relationship and what, if anything, Washington can do to influence the dynamics of the process to better secure U.S. interests, The Washington Institute's Program on Arab Politics recently brought together leading scholars and officials for an off-the-record discussion. The analysis and observations that follow are largely drawn from that seminar.

## Economic Opportunities and Challenges

Reform is the *sine qua non* of economic and social development in Egypt. During the Mubarak era, the regime grew the economy, but this growth only benefited the regime's narrow social base; rampant corruption undercut the regime's economic reforms. The January revolt provides an opportunity to transform Egypt from a state based on subsidies to one based on tax revenues, in which citizens can better hold their leaders accountable.

This transformation will not be easy, in part because a key driver of the revolution was the demand for "social justice," a catchall term with a plethora of meanings, including better targeted subsidies, minimum (and maximum) public sector wages, improved public health care and education, and universal employment. Until parliamentary and

presidential elections, the government of Egypt will function as a caretaker, making no real policy decisions. This means it will take months before a comprehensive plan to accomplish "social justice" is merely formulated, much less implemented, and public frustration may boil over once again, redounding to the benefit of Egypt's Islamists.

While the next government of Egypt is unlikely to return to a statist/Nasserist project, the current government has embraced a nationalist outlook regarding foreign direct investment, shunning foreign economic aid and rejecting a \$3 billion International Monetary Fund loan with extremely favorable terms. Egypt faces other challenges in attracting foreign investment: the hostility of Islamists toward beach sunbathing and alcohol, for example, will likely hamper efforts to revive Egypt's tourism sector. At the same time, a surge in nationalism and xenophobia are fueling suspicions that free trade agreements would increase imports at the expense of exports. These problems will only grow if Islamists perform well in the November parliamentary elections.

The anticipated rise of Egypt's Islamists makes it vital that they be introduced into economic decisionmaking slowly. If they are permitted to impose stricter social mores on tourists, foreign investor confidence will be shaken and Egypt's economic recovery will be further delayed. While analysts have noted philosophical differences within the Muslim Brotherhood regarding economic issues -- some of the MB embrace socialistic economic populism, while others prefer smaller government -- it will be important to integrate these Islamists into the Egyptian state. Otherwise, the MB will continue to use its "parallel state" -- and the wide variety of services the organization provides -- to win supporters and will have little stake in the development of an economically strong Egyptian state.

## Muslim Brotherhood and Egyptian Politics

**E**gypt's Muslim Brotherhood is focused on its parliamentary election campaign and anticipates becoming a key player in the new political system. To accomplish this goal, the MB is implementing a two-pronged strategy. First, the organization is campaigning throughout Egypt's twenty-nine governorates. At the same time, to bolster its electoral performance, the MB cofounded the Democratic Alliance of Egypt, a political coalition that includes several smaller, secular parties, such as the Wafd and the Nasserists. Meanwhile, the Islamist's chief rivals -- the "liberals" -- are numerous, but they are divided and not particularly well organized. And like the Islamists, the liberals have adopted a populist line that is cautious about, if not hostile to, contacts with the United States.

At present, the MB is running for just under 50 percent of the seats in the parliament and is expected to win approximately 30-35 percent of the 454 seats. In parliament, the MB will also be joined with its Democratic Alliance coalition partners and elected Salafist representatives. In turn, it will likely enjoy a plurality that will enable it to control the legislature and appoint members of the committee that will draft Egypt's new constitution.

While the Islamists clearly have extensive networks throughout the state, some signs indicate that they are vulnerable. During the Mubarak era, for example, the MB typically used to win the majority of student council elections across Egypt, yet in March elections the group succeeded in gaining control of only 12 percent of these councils. And even if the MB wins control of the parliament, it will do so via a coalition of ideologically disparate parties, rather than through an outright majority. This will force it to compromise on some of the organization's more militant positions. However, as the recent reports of internal divisions within the MB would suggest, the more conservative senior leadership of the MB is not particularly adept at compromising.

## The Military's Role

**T**he revolt took the Egyptian military completely by surprise and, in certain respects, benefited the institution. Specifically, the revolt decimated the military's chief rival, the Ministry of the Interior's General Security forces, which in recent years had received increasingly large shares of the national budget.

But the military also faces substantial challenges, and it stands to lose a great deal if the ruling Supreme Council of the Armed Forces (SCAF) missteps. In addition to traditionally being a choice career path -- providing officers with a

good education, job, pension, and a second job in industry upon retirement -- the military institution enjoys a privileged position in the Egyptian economy, growing its own food, running businesses, providing civil engineering and construction for the public sector, and even building hotels and buildings for private enterprise.

Moving forward, the military will take steps to protect these interests, such as trying to ensure that its budget is not cut and working to prevent its officers from being put on trial for corruption or their association with the ancien regime. In the face of the rising populist pressures of post-Mubarak politics, the SCAF will also try to preserve Egypt's peace treaty with Israel. To best accomplish this agenda, the military will need a sympathetic president, though the SCAF's ability to influence the forthcoming presidential election remains unclear.

The military's overriding goal appears to be to return to its barracks following the elections, though it may retain an influential, albeit behind-the-scenes, role in politics. The SCAF, however, seems to recognize that its ongoing rule places it in a precarious position: it cannot routinely afford to take harsh action in policing Egypt's streets -- or in clearing Tahrir Square -- because it risks alienating the Egyptian public, on whose goodwill its rule depends.

## What Can Washington Do?

Since the revolt, Washington has been in ongoing contact with the SCAF and has volunteered financial assistance to the economically troubled state. Notwithstanding the open lines of communication and \$2 billion in U.S. commitments made in recent months -- in addition to the nearly \$60 billion in U.S. aid since 1981 -- Washington has surprisingly little influence in post-Mubarak Egypt. While the ruling SCAF views its relationship with the United States and the maintenance of the peace treaty with Israel as core interests, it will not follow demands from Washington that it believes will threaten its popular stature or perquisites.

At the same time, for Washington and Egyptians with liberal democratic aspirations for their state, the current trajectory of civilian politics in Cairo is not promising. Yes, there is unprecedented political contestation, but amid the cacophony, the Islamists have emerged as the leading coherent voice.

Moving forward in this fluid environment, it will be increasingly important for Washington to be judicious as to when and how it attempts to exert influence on the domestic political scene. The United States may not be able to shape the direction of internal politics, but it can and should support liberal democratic Egyptians and organizations where possible with technical assistance, advice, and -- if welcome -- direct support. A more high-profile step would be for the administration to offer Egypt a free-trade agreement.

Perhaps more important, though, Washington should explain to Egyptians -- military and civilian alike -- the centrality of the U.S.-Egyptian bilateral relationship and the treaty with Israel. Beyond the financial and military aid dollars, Egypt's Western orientation, including its peace, has facilitated the country's significant economic growth over the past three decades and encouraged an impressive amount of foreign direct investment. The United States owes Egypt an open, honest, candid, and mature discussion of the consequences of political choices that Egyptians will make over the next several months.

*David Schenker is director of the Program on Arab Politics at The Washington Institute and author of the recent study [Egypt's Enduring Challenges: Shaping the Post-Mubarak Environment](http://www.washingtoninstitute.org/templateC04.php?CID=341)*

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