

## ISSUES

- The Arab world's most populous state, Egypt, attempting to recover economically and politically from an uprising and a coup within a few years of each other, had made huge macroeconomic gains under an IMF-backed reform plan. However, the austerity measures the reforms required significantly increased economic pressure on many of its citizens and there has been a major crackdown on political freedom of expression or political dissent. The economic fallout from the COVID-19 epidemic is going to exacerbate matters. Despite being the only country in the region with a projected positive growth rate, the fallout has deeply affected Egypt's three largest revenue earners — tourism, remittances, and the Suez Canal — and the economy is vulnerable.
- The security situation has stabilized in the majority of the country but the military is still fighting ISIS-affiliated extremists in the Sinai Peninsula. The Egypt-Libya border is long, porous, and a source of extreme concern for Egypt due to relations between militants in Libya and those in Sinai. The entry of Turkey onto the Libya stage, with thousands of Syrian mercenaries, has put Egypt on high alert and it announced that any incursions past the town of Sirte will trigger an Egyptian mobilization if the Libyan tribes request it. Egypt has many interests in Libya; security, influence, and economic partnerships, but the presence of thousands of mercenaries, most of whom are ISIS-affiliated, is a red line.
- By 2028, Egypt's labor force will increase to a staggering 80 million. However, another looming threat is Ethiopia unilaterally building the Grand Ethiopian Renaissance Dam (GERD), which holds the Nile's entire annual rainfall, without any environmental impact studies. A decade of negotiations, including U.S.-brokered talks, have failed and Ethiopia began unilaterally filling the dam's reservoir, without an agreement with Egypt and Sudan, in July. The danger of this cannot be overestimated. At worst, Egypt, a water-scarce country that relies on the Nile for 96% of its water, is looking at the loss of over a quarter of its arable land (and only 4% of Egypt is arable), with a corresponding loss of 5 million jobs (not including their families), as well as water for development and even drinking. Ethiopia's right to development is unquestioned but its unilateral approach, with little apparent regard for the welfare of its neighbors, has Egypt and Sudan on high alert, particularly in light of Ethiopia's similar transgressions in Djibouti, Kenya, and Somalia, all of which are suffering drastic water loss due to Ethiopian dams. If unchecked, the situation is a very real source of regional conflict.

## US INTERESTS

- Egypt has historically been important to the U.S. due to its demography, geographic location, and diplomatic heft. While its internal challenges since

2011 have chipped away at its regional political clout, it still retains a position of importance. There are few regional issues in which it is not involved and it is impossible to view any resolution in either the Libyan conflict or Arab-Israeli issues without its involvement.

- It hosts the Arab League and Al-Azhar University, the world's oldest university and the seat of moderate Sunni Islam.
- It controls the vital Suez Canal, one of the world's most important waterways, to which the U.S. is uniquely granted expedited passage (other ships could wait weeks).
- Its peace with Israel is the most significant, and lasting, Arab-Israeli diplomatic achievement.
- It is a powerful and dedicated ally against regional Islamist extremism.

## **POLICY RECOMMENDATIONS**

- The stability and economic growth of Egypt will continue to be a U.S. interest. Work with the Egyptian government, business, and civil society to encourage sustained and inclusive growth. Every effort to prevent conflict over the GERD must be made if the U.S. wishes to avoid conflict in the region.
- Egypt and the U.S. have differed over human rights and political freedoms. Egypt is a major recipient of U.S. military aid and there have been attempts to link this aid to human rights reform. The carrot and stick approach has traditionally not worked with Egypt. However, while economic investment development is vital to Egypt, the U.S. is under no obligation to extend economic aid or, more importantly, preferential trade terms or investment. Those are areas that could and should be pegged to reforms. Economic fallout from the pandemic has left Egypt's economy vulnerable and this would be an excellent time to peg FDI to domestic reform. Additionally, there is currently no bilateral treaty governing the detention of U.S. citizens in Egypt. One should be pursued immediately. The Egyptian government would be amenable to one rather than leaving the issues to the vagaries of the Egyptian judicial system.
- Egypt would very much like to reaffirm its strategic alliance with the U.S. (along the lines of those with Israel or Jordan), and in light of the U.S.'s role in trying to solve the GERD impasse, Egypt is likely to be more receptive to U.S. priorities. It's ultimately in the U.S. interest to reaffirm this relationship; the opportunity cost is relinquishing trade (and soft power) to Europe, Russia, and China.