

# EGYPT

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## 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 and unrelenting crackdown on freedom of expression or political dissent. Despite laudable attempts to mitigate the economic fallout from the COVID-19 epidemic, the strain is evident. Although it was the only country in the region with a positive growth rate in 2020, the fallout has deeply affected Egypt's three largest revenue earners — tourism, remittances, and the Suez Canal — and the economy is vulnerable. While COVID-19 triggered economic recalculations, a new U.S. administration and rapidly shifting regional alliances and relationships have triggered political and foreign policy recalibrations, and Egypt is now trying to cement or hone its regional relevance and value as an ally and partner. To that end, it is stepping up its foreign diplomacy efforts and expanding its footprint in the immediate region and Africa.
- 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, 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. In line with its efforts to cement its regional position, Egypt has pivoted pragmatically to support the newly elected government in Libya.
- By 2028, Egypt's labor force will increase to a staggering 80 million. Another looming challenge is Ethiopia's unilateral position on filling the Grand Ethiopian Renaissance Dam (GERD), which holds the Nile's entire annual rainfall, built 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 2020, leading to a loss of water at Sudanese water stations within 24 hours. The danger of this cannot be overestimated. In the worst-case scenario, 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. This would also lead to a corresponding loss of 5 million jobs (not including farmers' 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. Coupled with the current civil war in Ethiopia, which threatens to spill over its borders to a Sudan in the midst of an extremely fragile transition, 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. Currently, though, the association is being left to simmer safely on a back burner. While at times it can appear to be more trouble than it's worth, the relationship remains relevant and in a pinch, you wouldn't want to be without it. Although Egypt's 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. The Abraham Accords do not so much guarantee peace — Egypt's peace with Israel guaranteed that no Arab army would ever attack it again — but they do redraw the lines of regional cooperation. Egypt's relationship with Israel, however, is of vital and lasting importance to both countries for myriad economic and security reasons.
- It is a powerful and dedicated ally against regional Islamist extremism.

Additionally, there is currently no bilateral treaty governing the detention of U.S. citizens in Egypt. One should be pursued immediately. For various reasons, the Egyptian government would very likely be amenable to one rather than leaving the issue 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 will also be keen to reaffirm its value as a regional partner. Ultimately, it is in U.S. interest to reaffirm this relationship; the opportunity cost is relinquishing trade (and soft power) to Europe, Russia, and China.

## POLICY RECOMMENDATIONS

- Despite an often contentious relationship, the stability and economic growth of Egypt will continue to be in the 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 starkly over human rights and political freedoms and this is likely to be exacerbated under the new administration. 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, economic investment development is vital to Egypt and 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.