

CRS Report for Congress

Egypt: Background and U.S. Relations

Updated March 29, 2007

Jeremy M. Sharp
Middle East Policy Analyst
Foreign Affairs, Defense, and Trade Division



Prepared for Members and
Committees of Congress

Egypt: Background and U.S. Relations

Summary

This report provides an overview of Egyptian politics and current issues in U.S.-Egyptian relations. It briefly provides a political history of modern Egypt, an overview of its political institutions, and a discussion of the prospects for democratization in Egypt. U.S.-Egyptian relations are complex and multi-faceted, and this report addresses the following current topics: the Arab-Israeli peace process, Iraq, terrorism, democratization and reform, human rights, trade, and military cooperation. This report will be updated regularly. For more information on Egypt, see CRS Report RS22274, *Egypt: 2005 Presidential and Parliamentary Elections*.

U.S. policy on Egypt is aimed at maintaining regional stability, improving bilateral relations, continuing military cooperation, and sustaining the March 1979 Egyptian-Israeli peace treaty. Successive Administrations have long viewed Egypt as a leader and moderating influence in the Middle East, though in recent years, there have been increasing calls for Egypt to democratize.

Congressional views of U.S.-Egyptian relations vary. Some lawmakers view Egypt as stabilizing the region and helping to extend U.S. influence in the most populous Arab country. Others would like the United States to pressure Egypt to implement political reforms, improve its human rights record, and take a more active role in reducing Arab-Israeli tensions.

Among the current issues in U.S.-Egyptian relations are a shared concern about international terrorism. Egypt can claim some experience with the subject, having defeated domestic Islamist terrorists intent on overthrowing the government. As the war on terror continues, the United States relies on Egypt for intelligence cooperation. Egypt provided valuable support during Operation Enduring Freedom in Afghanistan. Egypt and the United States agree on the importance of the Egyptian-Israeli peace treaty and the need to continue current Arab-Israel peace talks. In support of this process, Egypt trained some Palestinian police and sent 750 Egyptian soldiers to the Egypt-Gaza border in order to prevent weapons smuggling following Israel's 2005 withdrawal from the Gaza Strip.

The United States and Egypt disagree over the speed and depth of, but not the need for, some of Egypt's economic reforms. The two governments differ on Egypt's need to introduce democratic reforms, and many U.S. officials argue that Egypt is not moving quickly enough toward full democracy or in improving the human rights situation. Others caution that movement toward democracy carries a risk of establishment of an Islamist government.

The United States has provided Egypt with an annual average of over \$2 billion in economic and military foreign assistance since 1979. The United States is to reduce Economic Support Funds (ESF) to about \$400 million per year by 2008 in keeping with a plan to reduce aid to both Israel and Egypt. The Administration requested \$415 million in economic grants and \$1.3 billion in military grants for FY2008 for Egypt.

Contents

Most Recent Developments	1
Historical Background	1
Egypt During the Colonial Era	1
The Constitutional Monarchy & the British	3
Nasser and Egypt During the Cold War	3
Egypt-Israeli Peace	4
Egypt Under Mubarak	5
Regime Structure	6
Overview	6
Presidential Succession	6
The Rise of Gamal Mubarak	7
The Role of the Military in Egyptian Society	7
The National Democratic Party (NDP)	8
The Judiciary and Calls for Judicial Independence	8
Reinforcing Regime Rule	9
The 2007 Constitutional Amendments	9
Political Opposition and Civil Society	10
Legal Opposition Parties	10
The Muslim Brotherhood	10
The Egyptian Movement for Change — <i>Kefaya</i> (Enough)	11
Imprisoned Opposition Figures	12
Ayman Nour	12
Talat Sadat	12
Civil Society in Egypt	13
Current Issues in U.S.-Egyptian Relations	13
Relations with Israel	13
Depiction of Israel and Jews in the Egyptian Media	14
The Israeli-Palestinian Conflict & Hamas	14
Egypt's Role in the Gaza Withdrawal	15
Smuggling Tunnels	15
Securing the Release of Gilad Shalit	16
Arming Palestinian Moderates	16
Iraq	17
Nuclear Cooperation	17
Sudan and the Conflict in Darfur	18
Terrorism	19
U.S. Policy to Promote Democracy in Egypt	20
The Economy & U.S.-Egyptian Trade	21
Corruption	22
Trade Overview	23
Human Rights, Religious Freedom, and Women's Rights	24
Religious Freedom	25
Women's Rights	25

Military Cooperation	26
“Bright Star” and other Joint Military Operations	26
Intelligence Cooperation	26
U.S. Foreign Assistance to Egypt	27
Economic Aid	27
FY2007 Rescission	27
Military Aid	28
Possible Weapons Purchase from Russia?	28
Recent U.S. Military Sales to Egypt	29
FY2006 Foreign Operations Appropriations Act	29
FY2007 Foreign Operations Appropriations	29
U.S. Assistance to Egypt: Possible Changes	29
Legislative Proposals and Congressional Action on Aid to Egypt ...	30

List of Figures

Figure 1. Map of Egypt	2
Figure 2. The Sinai Peninsula	20

List of Tables

Table 1. U.S.-Egyptian Trade Statistics 2004-2005	23
Table 2. Recent U.S. Aid to Egypt	31
Table 3. U.S. Foreign Assistance to Egypt, 1946-1997	32

Egypt: Background and U.S. Relations

Most Recent Developments

On March 26, 2007, 34 amendments to the Egyptian constitution were approved in a popular referendum widely considered to be managed by pro-government forces. The amendments had already been approved by the parliament on March 19 in a session boycotted by opposition deputies from the Muslim Brotherhood and secular parties.

On March 19, 2007, Egyptian authorities arrested a would-be Hamas suicide bomber near the Israeli-Egyptian border.

On March 15, 2007, a potential suicide bomber was arrested while wearing an explosive belt inside a beach resort in the border city of el-Arish in the northern Sinai peninsula. A group of Egyptians working with the bomber also were detained. In recent months, Israel has warned its citizens of a possible terrorist attack against tourist areas in the Sinai.

On February 15, 2007, Congress passed H.J.Res 20, the FY2007 Revised Continuing Appropriations Resolution (P.L. 110-5). Section 20405 of the act rescinds \$200 million in previously appropriated economic assistance to Egypt. Each year, a portion of Egypt's economic aid is withheld by USAID and released when the Egyptian government meets certain agreed upon economic reform benchmarks.

Historical Background

Egypt During the Colonial Era

Egypt's relations with the West, including its current friendly relations with the United States, are colored by a long history of foreign intervention in Egyptian politics, which has made Egypt, along with other Arab states, wary of outside influences on their domestic affairs. In the 19th century, Egypt was a semi-autonomous province in the Ottoman Empire, which by then was in decline and being propped up by the British in order to serve as a buffer between it and Czarist Russia. At the time, Egypt was viewed as extremely valuable to the British and French empires and was prized for its agricultural output, large domestic market, and strategic location between the Mediterranean and Red Seas. Most importantly, the British saw Egypt as vital to securing the sea route to its most prized colony, India. Ottoman weakness led its Sultans to grant Europeans certain legal protections and

economic advantages in Egypt, which stifled the Egyptian economy by flooding it with European manufactured goods, driving local merchants out of business.¹

Over time, Egypt developed a “cash crop” economy based almost solely on the export of cotton, the price of which constantly fluctuated, leaving the economy vulnerable and dependent on good harvests. Without a strong, diverse economy, Egypt could not generate enough capital to fund its modernization, leading it to become even more financially dependent on the West, as its rulers borrowed huge sums from European banks. Six years after the completion of the Suez Canal in 1869, Egypt was forced to sell all of its shares in the Suez Canal Company, which operated the Canal, in order to make payments on its foreign-owned debt. When Egypt could no longer pay its debts, the British and French became directly involved in Egyptian politics — a trend that would continue until the mid 20th century.²

Figure 1. Map of Egypt



Source: Map Resources. Adapted by CRS. (K.Yancey 7/1/05).

¹ Library of Congress, Federal Research Division, *Egypt: A Country Study*, accessible at [<http://lcweb2.loc.gov/frd/cs/egtoc.html>].

² Napoleon invaded Egypt in 1798. The British invaded in 1882 and established a de facto protectorate. They would keep a sizeable military force in Egypt until the 1950s.

The Constitutional Monarchy & the British

Britain unilaterally declared Egyptian independence in 1922, and for the next three decades, political power in Egypt was contested among three main actors: the British, the Egyptian monarchy, and the nationalist Wafd party, which was the driving force behind the Egyptian independence movement after World War I. Thousands of British troops remained stationed near the Suez Canal, and British officials served in the Egyptian ministries. Egypt's king could appoint a government and dismiss parliament, but ultimately relied on the British for support. The Wafd party dominated parliamentary elections during Egypt's experiment with parliamentary democracy (1922-1952), though the Wafd gradually began to lose popularity to more radical organizations, such as the Muslim Brotherhood.

Nasser and Egypt During the Cold War

By the early 1950s, anti-British sentiment in Egypt had sparked civil unrest, allowing a cabal of Egyptian Army officers, known as the Free Officers Movement, to oust the king in what is referred to as the July 1952 revolution. The Free Officer Movement ushered in an era of military involvement in Egyptian politics, as all of Egypt's presidents in the post-revolutionary period have been high ranking officers. In the aftermath of the coup, Colonel Gamal Abdul Nasser, the most charismatic of the Free Officers, succeeded in gaining total control over the government. Nasser abolished the monarchy and outlawed the Muslim Brotherhood (1954), which at the time was the only potential rival for power. Nasser would rule Egypt until his death in 1970.

During the Nasser era, Egypt found itself at the center of superpower competition for influence in the Middle East. Wary of taking sides, Nasser managed, for a short period, to steer Egypt clear of either the Soviet or Western "camp" and was instrumental in helping to establish the non-aligned movement. U.S.-Egyptian relations soured when Nasser turned to the Soviets and the Czechs in 1955 for military training and equipment after the West, frustrated by Nasser's repeated rejections and his support of Algerian independence against the French, refused to provide Egypt with defense assistance. A year later, following a U.S.-British decision to retract an offer of economic assistance and help for the construction of the Aswan Dam, Nasser nationalized the Suez Canal Company to use its revenues to finance the dam project. (Egypt owned the Suez Canal, but the British-French company operated the Canal, and collected the revenues from which it paid a small rent to Egypt.) In October 1956, Israel, France, and Britain invaded Egypt — Israel to stop Palestinian guerrillas from using Egypt as a base for operations against Israel, and France and Britain to occupy the Canal. President Eisenhower persuaded the three countries to withdraw from Egypt in early 1957, which briefly improved U.S.-Egyptian relations.³

After the 1956 Suez War, Nasser's popularity soared, as he came to embody Arab nationalism in the post-colonial era. Nasser did not hesitate to brandish his newfound authority and developed a muscular Egyptian foreign policy that attempted

³ M.E. Yapp, *The Near East Since the First World War*, London: Longman, 1991, p. 409.

to destabilize pro-Western governments in Jordan, Iraq, and Lebanon, support Palestinian guerrilla action against Israel, create a unified Arab state by merging briefly with Syria (the United Arab Republic 1958-1961), and intervene against the Saudi-backed royalists in the Yemeni civil war.⁴ However, Egypt's defeat at the hands of Israel in the June 1967 War and other setbacks temporarily deflated Nasser's popularity and crushed his ambitions to spread a pan-Arab ideology across the region.

On the domestic front, Nasser turned Egypt into a socialist dictatorship with absolute power in the hands of the President. All banks and commercial firms were nationalized, large landowning estates were broken up into much smaller parcels and held in a state trust, and all political parties were banned. The precursor to the present National Democratic Party (NDP) was formed by Nasser in 1962 and was called the Arab Socialist Union. It served as the Egyptian republic's first mass party and an extension of the ruling elite. Other movements, such as the Muslim Brotherhood, were forced to go underground, as Nasser arrested thousands of Brotherhood activists after a failed Brotherhood assassination attempt against him in 1954.⁵

Egypt-Israeli Peace

After Nasser's death in 1970, Anwar Sadat, one of the original Free Officers, became President of Egypt. At the time, Egypt was humiliated by its defeat in the June 1967 War and the ensuing loss of the Sinai Peninsula to Israel. In addition, military rebuilding expenditures were absorbing nearly 25% of Egypt's gross domestic product. Under these circumstances, Sadat calculated that a military victory was needed to boost his own legitimacy and improve Egypt's position in any future negotiations with Israel. The October 1973 War, which initially took Israel by surprise, was costly for both sides, but succeeded in boosting Sadat's credibility with the Egyptian people, enabling him to embark on a path which would ultimately sever Egypt's ties to the Soviet Union and bring it closer to the West.

In November 1973, Egypt and the United States restored diplomatic relations (which had been cut off in 1967), and in December, the two countries participated in the Geneva peace conference. U.S. Secretary of State Henry Kissinger's shuttle diplomacy led to Egyptian-Israeli and Syrian-Israeli disengagement agreements in 1974 and a second set of Egyptian-Israeli disengagements in 1975. The United States resumed economic aid to Egypt in 1975 after an eight-year hiatus.

⁴ During the Yemeni Civil War of 1963 through 1967, Egypt reportedly used mustard bombs in support of South Yemen against Saudi-backed royalist troops in North Yemen. See Federation of American Scientists (FAS) Egypt Special Weapons Guide, available online at [<http://www.fas.org/nuke/guide/egypt/index.html>].

⁵ One of the Brotherhood activists arrested was Sayyid Qutb, a writer and former government official whose writings provided a philosophical foundation for Islamic radicalism. Qutb spent years in prison and, after being briefly released in 1964, was rearrested and hanged in 1966. See Daniel Benjamin & Steven Simon, *The Age of Sacred Terror* (New York: Random House, 1966), p. 62.

The United States endorsed Anwar al-Sadat's historic trip to Jerusalem in November 1977, and President Jimmy Carter assisted in the Israeli-Egyptian peace negotiations at Camp David in September 1978 and the Egyptian-Israeli peace treaty of March 1979.⁶ The United States helped organize the peacekeeping mission along the Egyptian-Israeli border and the Multi-National Force and Observers (MFO), and still maintains a rotating infantry task force as part of it.⁷

Egypt Under Mubarak

Sadat's rule came to an abrupt end in 1981, when he was assassinated during a military parade in Cairo by soldiers who also belonged to the Jamaah Islamiyah (Islamic Group) and Al Jihad, the more radical offshoots of the Muslim Brotherhood. Hosni Mubarak, Sadat's Vice President and former commander of the Egyptian Air Force, immediately ascended to the presidency and has remained in office to the present day. Under Mubarak, Egypt has continued to maintain good relations with the United States, as evident in Egypt's 1991 decision to join the allied coalition against Saddam Hussein in Operation Desert Storm. Following the path laid out by Sadat, Egypt has remained at peace with Israel, although critics have characterized this as a "cold peace." Mubarak has made a number of attempts to serve as a broker for Israeli-Palestinian peace talks, most notably in 1999 and 2000, when Egypt hosted the signing of an Israeli-Palestinian agreement for implementing past commitments and meetings between then Secretary of State Madeleine Albright and former Palestine President Yasir Arafat, respectively. During the Mubarak era, the ongoing conflict between Egyptian Islamists and the Egyptian authorities continued, culminating in a period (1992-1997) of violent confrontations between Islamic militants and Egyptian police.

After the September 11, 2001, terrorist attacks and the ensuing U.S. focus on promoting democracy in the Middle East, the Mubarak regime has come under increasing U.S. pressure to accelerate political reforms and make Egypt more democratic. In an effort to control the reform agenda without relinquishing their grip on power, Mubarak and the ruling National Democratic Party (NDP) have instituted some political reforms, while emphasizing the need for economic growth as a precondition for democratic change.

⁶ A copy of the 1979 Egyptian-Israeli peace treaty is available online from MidEast Web Gateway at [<http://www.mideastweb.org/egyptisrael treaty.htm>].

⁷ The MFO is an independent (non-UN) peacekeeping mission, created as a result of the 1979 peace treaty. The MFO's expenses are funded in equal parts by Egypt, Israel, and the United States with additional contributions from Germany, Japan, and Switzerland. For more information on the MFO, see [<http://www.mfo.org/Default.asp?bhcp=1>].

Regime Structure

Overview

Since the 1952 revolution, Egypt has officially been a republic, and its political system has developed some aspects of a democracy, though most observers continue to describe Egypt as an authoritarian regime dominated by a strong executive, who draws his support from the ruling National Democratic Party (NDP) and the military. Under the 1971 Constitution, authority is vested in an elected president who must stand for reelection every six years.⁸ The President appoints the cabinet, who in turn draft and submit legislation to the legislature, the People's Assembly (lower house) and the Shura Council

(upper house). The People's Assembly debates legislation proposed by government ministries and calls for amendments to government-sponsored bills but rarely initiates its own bills. The Shura Council is an advisory body, offering reports and recommendations on important subjects, but the Shura Council does not introduce, consider, or vote on legislation. Overall, analysts consider Egypt's legislative branch to be weak; the ruling party constitutes an overwhelming majority.

In the People's Assembly, 444 members are elected and ten are appointed by the President; 176 members of the Shura Council are elected and 88 are appointed. One half of the elected members of the People's Assembly and the Shura Council must be farmers and laborers (Art. 87 and Art. 196 of the Constitution). People's Assembly members are elected for five-year terms, and Shura Council members for six-year terms (one-half the Council members are elected every three years). Currently, the ruling National Democratic Party (NDP) controls 324 seats in parliament, Muslim Brotherhood-affiliated members hold 88 seats, and the remaining seats are held by a mix of independents and secular opposition parties. NDP members won 74 of the 88 seats contested in the May/June 2001 Shura Council election, with independents winning the other 14 seats. Religious parties, such as the Muslim Brotherhood, are officially banned.

Presidential Succession. Uncertainty over the potential successors to 78-year-old President Hosni Mubarak has dominated Egyptian politics over the last few years. Indeed, there has been endless speculation over the possible transition

Egypt at a Glance

Population:	77 million (est.)
GDP per Capita:	\$1,100-\$1,400
Religions:	90% Sunni Muslim 10% Coptic Christian
Literacy Rate:	57% (47% female)
Unemployment Rate:	15%-20% (est.)
External Debt: (as % of GDP)	\$33 billion 37.8%

Source: U.S. Central Intelligence Agency
World Factbook 2005.

⁸ In 1980, the Constitution was amended to allow the President to run for an unlimited number of terms, rather than one as was stipulated in the 1971 Constitution. An English language version of the Constitution is available at [<http://www.parliament.gov.eg/EPA/en/sections.jsp?typeID=1&levelid=54&parentlevel=6&levelno=2>].

scenarios that could take place should President Mubarak become incapacitated or suddenly resign. Some analysts fear that a less than smooth transition of power could open the door for the Muslim Brotherhood to mobilize its supporters and demand an Islamist government. If such a situation were to occur, many observers wonder whether the military and security establishment would remain in the barracks or re-enter politics to establish order. Others assessments have been less dramatic, as many experts believe that the Egyptian political system is stable and that the chances for popular revolution are remote.

Under Egyptian law, if the President should become incapacitated, the Speaker of the People's Assembly becomes the interim President. A Vice President plays no special role in the transition, but in practice, recent Egyptian Presidents were succeeded by their Vice Presidents. The health of 78-year-old President Hosni Mubarak, who has not named a Vice President, has been questioned. Some analysts believe that Egyptian intelligence chief, Omar Suleiman, who has been an interlocutor between Palestinians and Israelis, could be a potential successor to Mubarak. In 2005, Egypt conducted its first competitive multi-candidate presidential election. Many analysts assume that the next Egyptian president will have to be elected in a popular vote. The next presidential election is scheduled for 2011.

The Rise of Gamal Mubarak. Though President Hosni Mubarak has vehemently denied that he is grooming his 42-year-old son Gamal to succeed him, the younger Mubarak has had a meteoric rise to the highest levels of the Egyptian government in a short period of time, suggesting to many observers that his accession to the presidency may be imminent. According to a March 2006 *Washington Post* article, Gamal Mubarak was recently named as one of three Deputy Secretary Generals of the NDP party, and many of his associates now fill the cabinet and party leadership.⁹ In press interviews, Gamal Mubarak himself has refuted rumors that he will run for president in any future election, saying "I don't have the intention or the desire to be a candidate. I repeat and emphasize again I don't have this intention or desire, this is clear talk for those who want to understand."¹⁰ In May 2006, Gamal Mubarak secretly traveled to Washington, D.C. for meetings with Vice President Cheney and other high-level U.S. officials.¹¹ Many commentators have speculated over the purpose of the meetings, which came amid social unrest and demonstrations in Cairo. Some analysts believe that Gamal's trip signifies his eventual ascension to the presidency.

The Role of the Military in Egyptian Society. Although military officers no longer play a direct role in the affairs of the civilian-run Egyptian government, the military is the preeminent institution in Egyptian society, and has been called on by successive governments to maintain internal security and regime stability.¹² From an

⁹ "Clearing the Path For Scion of Egypt," *Washington Post*, March 10, 2006.

¹⁰ "Gamal Mubarak Says He Has No Intention to Run for Presidency to Succeed His Father," *Associated Press*, January 24, 2006.

¹¹ "Mubarak's Son Met With Cheney, Others," *Washington Post*, May 16, 2006.

¹² In 1986, President Mubarak called on the military to put down riots in Cairo, sparked by
(continued...)

economic standpoint, the military also provides employment and social services for hundreds of thousands of young people in a country with annual double digit unemployment rates. Military experts have often asserted that Egypt's armed forces are bloated and maintain manpower at unnecessary levels for peacetime. In response, Egyptian officials and some scholars assert that the large size of Egypt's military is justified based on the services it provides to soldiers and their families. Some estimate that the military trains 12% of young Egyptian males and that Egypt's defense industries employ over 100,000 people.¹³ The Egyptian military has its own companies, which produce consumer products, pharmaceuticals, and manufactured goods. The Egyptian officer corps also benefit from higher salaries, better housing, and high quality healthcare, which help ensure their loyalty to the government. Some members of the opposition have criticized these special benefits and the military's fiscal autonomy, asserting that there is little civilian control over the military's budget.

The National Democratic Party (NDP).¹⁴ As the ruling party, the NDP dominates the political scene in Egypt, controlling well over 80% of the seats in parliament. In the 2000 parliamentary election, popular dissatisfaction with the status quo led to the defeat of many NDP incumbents, though the party maintained its supra-majority in parliament after a number of "independents" who had been NDP members rejoined the party. Thereafter, NDP officials embarked on a campaign to improve the party's public image, holding the first party congress in 10 years in 2002. Since then, the NDP has held conferences in each successive year, touting a number of political reforms under the slogan of "new thinking." More importantly, the President's son, Gamal Mubarak, was appointed to the NDP's higher policy council, and other young reformers have become more visible in the party. Many analysts speculate that the NDP is undergoing a generational struggle between an "old guard" linked to tradition and deliberate change and young reformers who want rapid, far-reaching change. Others believe that even if a "new guard" were to gain control of the party, they would make no dramatic departures from previous NDP policies.

The Judiciary and Calls for Judicial Independence. Although Articles 64 and 65 of the constitution guarantee the independence of the judiciary, the state continues to hold sway over most judges and courts. However, many analysts consider this branch of government to hold the most potential for exercising greater "checks and balances" on the regime. Some judges have spoken openly about election abuses allegedly committed by pro-government forces in 2005. In April and May 2006, there were a number of demonstrations against the Mubarak regime. The protests were sparked by the state's disciplinary proceedings against two of Egypt's most senior judges, Mahmoud Mekki and Hisham Bastawisi, who were stripped of their judicial immunity and detained after publicly charging electoral fraud during

¹² (...continued)

the protests of Central Security conscripts who were angry with their low pay and poor working conditions. The military also was deployed in 1977 during riots over a temporary reduction in food subsidies.

¹³ Imad Harb, "The Egyptian Military in Politics: Disengagement or Accommodation?," *The Middle East Journal*, Washington, spring 2003. vol. 57, Issue 2, p. 269.

¹⁴ The NDP's website is available at [http://www.ndp.org.eg/index_en.htm].

parliamentary elections late last year. Bastawisi, who suffered a heart attack before his hearing, was warned that another offense would lead to his dismissal from the judiciary, while Mekki was cleared of all charges.

Reinforcing Regime Rule

Over the last two years, the Mubarak government has tightened its grip on power and cracked down on domestic opponents. Some analysts assert that the government is deliberately flexing its muscles during a delicate period of political transition, as the President may be grooming his son to succeed him. Others have speculated that the regime may be sending a message to the international community, particularly the United States, that it will not be pressured into liberalizing its political system.

The 2007 Constitutional Amendments. In December 2006, President Mubarak announced a series of proposed constitutional amendments dealing with an array of issues, ranging from reforming Egypt's system of presidential and parliamentary elections to strengthening the legislative branch of government. On March 26, 2007, 34 amendments to the Egyptian constitution were approved in a popular referendum widely considered to be managed by pro-government forces. The amendments had already been approved by the parliament on March 19 in a session boycotted by opposition deputies from the Muslim Brotherhood and secular parties. According to an analysis of the amendments conducted by the Carnegie Endowment for International Peace, "Taken together, the amendments and process by which they were passed constitute an effort by the Egyptian regime to increase the appearance of greater balance among the branches of government and of greater opportunities for political parties, while in fact limiting real competition strictly and keeping power concentrated in the hands of the executive branch and ruling party."¹⁵

Among other changes, the amendments include the following:

- Amended Article 179 allows the president to have civilians tried in military courts and eliminates protections against arbitrary search and arrest in offenses related to terrorism.
- Revised Article 88 curtails judicial supervision of general elections and transfers oversight responsibility to an electoral commission.
- Revised Article 5 forbids the formation of a party based on religion and bans all political activity based "on any religious reference or basis." This would ostensibly hinder Muslim Brotherhood members from participating in future presidential elections.

¹⁵ Nathan J. Brown, Michelle Dunn, and Amr Hamzawy, "Egypt's Controversial Constitutional Amendments: A Textual Analysis, *Carnegie Endowment for International Peace*, March 23, 2007.

- Revised Article 115 requires the government to present its annual budget to parliament at least three months before the end of the fiscal year and enables lawmakers to vote on individual items within the budget.
- Revised Article 62 establishes a quota for female lawmakers in parliament.

U.S. officials criticized both the content of the amendments and the expediency of their approval. In a recent visit to Egypt, Secretary of State Condoleezza Rice stated that “the Egyptians set certain expectations themselves about what this referendum would achieve and the hope that this would be a process that gave voice to all Egyptians.... I think there’s some danger that their hope is not going to be met.” Amnesty International called the amendments the “greatest erosion of human rights in 26 years” in Egypt.

Political Opposition and Civil Society

Political opposition in Egypt is divided among legal opposition parties approved by the government, the outlawed Muslim Brotherhood, considered the most powerful opposition force, and a small array of movements, such as *Kefaya* (“Enough”), composed of civil society activists, academics, and intellectuals. By law, political parties must be approved by the seven-member Political Parties Committee (PPC). Since 1977, the Committee has approved 18 political parties and rejected almost 50. The current make-up of the PPC consists of the Shura Council chairman, three former senior judges, and the ministers of interior, parliamentary affairs and justice. In September 2004, NDP officials announced plans to amend the 1977 political parties law by adding three non-partisan public figures to the committee, though its members would still be chosen by the President.

Legal Opposition Parties

Most experts regard Egypt’s legal opposition parties as divided with limited popular support. In the 2000 parliamentary elections, the principal opposition parties secured just 17 seats, despite widespread popular dissatisfaction with the ruling NDP. In 2005, these parties fared even worse, winning just 12 seats. Most recognized opposition parties publish their own newspapers, which frequently criticize the government and often expose human rights abuses. Most parties receive government subsidies and, in some cases, subsidies from foreign interests.

The Muslim Brotherhood¹⁶

The Muslim Brotherhood (MB) was founded in Egypt in 1928 to turn Egypt away from secularism and toward an Islamic government based on *Sharia* (religious)

¹⁶ For more information, see CRS Report RL33486, *U.S. Democracy Promotion Policy in the Middle East: The Islamist Dilemma*, by Jeremy M. Sharp.

law and Muslim principles.¹⁷ The Muslim Brotherhood operates as a religious charitable and educational institution, having been banned as a political party in 1954; however, many Muslim Brotherhood members run for parliament as independents. In the 2000 parliamentary elections, 17 independent candidates, who were regarded as Brotherhood sympathizers, were elected. In 2005, Brotherhood-affiliated candidates won 88 seats in parliament. Over the years, the Egyptian government has alternated between tolerating and suppressing the Muslim Brotherhood, sometimes arresting and jailing its members, and other times allowing its members to operate almost without hindrance.

Many foreign observers agree that the organization has renounced the use of violence as a political tactic, while many Egyptian officials continue to perceive the Brotherhood as a threat and are unwilling to legalize the movement. In the West, the issue of whether or not to recognize the Muslim Brotherhood as a legitimate political actor continues to perplex policymakers, particularly after the September 11, 2001 terrorist attacks. On the one hand, there has been a general reluctance to push for Islamist inclusion in politics, out of concern that, once in power, groups such as the Muslim Brotherhood will pursue policies counter to Western interests in the region or will transform states into theocracies. On the other hand, some experts believe that if these groups are not brought into the political mainstream, they will eventually resort to violence out of frustration.

Most analysts believe that, from an organizational standpoint, the Brotherhood is the only movement capable of mobilizing significant opposition to the government, though opinions vary on how much mass support the Brotherhood commands. As is typical for Islamist groups across the region, the Muslim Brotherhood is strongest among the professional middle class, controlling many of the professional syndicates (associations), including those representing engineers, doctors, lawyers and academics.¹⁸

The Egyptian Movement for Change — *Kefaya* (Enough)

In December 2004, a group of political activists, most of whom are secular in orientation and hail from Egyptian universities, formed the Egyptian Movement for Change, or what has been referred to in Arabic as *Kefaya* (enough), their primary slogan which refers to their opposition to a further term for President Mubarak. Since its formation, the movement has held a number of small demonstrations, and some of the group's members have been detained. In May 2005, female *Kefaya* activists accused Egyptian police officers of sexually assaulting female protesters, which led to widespread condemnation of the government by both secular and Islamic opposition forces. *Kefaya*, which encompasses a mix of opposition groups,

¹⁷ The Muslim Brotherhood is generally considered as the parent organization for Brotherhood branches throughout the Middle East region. Former Brotherhood members also have formed a number of radical and extremist off-shoots, including Hamas. See Gilles Kippel, *Jihad: The Trail of Political Islam* (Cambridge: Harvard University Press, 2002), p. 151.

¹⁸ John Walsh, "Egypt's Muslim Brotherhood," *Harvard International Review* (Cambridge: winter 2003), vol. 24, issue 4, p. 32.

boycotted the 2005 presidential election. During the 2006 war in Lebanon, *Kefaya* activists reportedly circulated petitions to abrogate the 1979 Israeli-Egyptian peace treaty; a sign, perhaps, that the movement has lost focus and has reverted to supporting popular causes, such as support for the Palestinians, as a way to broaden its outreach and separate itself from U.S. calls for democracy in the Arab world.

Imprisoned Opposition Figures

Ayman Nour. Ayman Nour (age 41), a former member of the Egyptian parliament and second place finisher in Egypt's first multi-candidate presidential election in 2005, is currently serving a five-year sentence for forgery in a prison hospital. On May 19, 2006, Egypt's highest appeals court rejected Ayman Nour's appeal for a retrial; he cannot file another appeal. Nour's imprisonment is considered a stumbling block in U.S.-Egyptian bilateral relations, though opinions differ on how much of an impact his imprisonment will have over the long term. Most analysts believe that improvements in the relationship, such as announcing the United States' intention to negotiate a U.S.-Egyptian free trade agreement, has been put on hold in part because of the treatment of Nour. In addition, Nour's imprisonment could bolster efforts to alter Egypt's foreign assistance package in Congress. In 2002, the Administration and Congress rejected \$134 million in new economic assistance for Egypt to protest the imprisonment of Saad Eddin Ibrahim. In many ways, some say Nour's case is a trial balloon for the Administration's larger efforts to promote democracy in the region, and many observers are curious as to how far the Bush Administration will push Egypt on the Nour issue. Experts note that political reform is just one of a number of U.S. policy goals with Egypt and that other priorities, including security cooperation, intelligence-sharing, and promoting peace in the region, could influence U.S.-Egyptian relations.

The Senate conference report (S.Rept. 109-277) accompanying H.R. 5522, the FY2007 Foreign Operations Appropriations Bill, noted that "the Committee remains concerned with the lack of political reform in Egypt and the incarceration of secularist politicians, including Ayman Nour. The Committee believes the State Department should be far more vocal in publicly condemning human rights abuses occurring in Egypt."

Talat Sadat. On October 31, 2006, Talat Sadat, an opposition member of parliament and nephew of the late Egyptian President Anwar Sadat, was sentenced to one year in prison for defaming the Egyptian armed forces. In public comments, Sadat blamed the Egyptian military for failing to prevent his uncle's 1981 assassination. Soon thereafter, Sadat was stripped of his parliamentary immunity and brought before a military court where he was tried in secret with no right of appeal. Sadat is a colorful figure in Egyptian politics, but observers note that he crossed a known red line by criticizing the military. In response to Sadat's imprisonment, U.S. State Department spokesman Gonzalo Gallegos stated that "The keystone of a democratic society is the right of free speech, including to criticize one's government, and that extends to the military."¹⁹

¹⁹ "Sadat Nephew in Court Appearance," *BBC News Online*, October 18, 2006.

Civil Society in Egypt

Although political opposition continues to be stymied, observers note that, over the past two decades, Egypt has developed a vibrant civil society, which some development experts hope will further democratization in the country. The term “civil society” generally refers to the growing number of non-governmental organizations (NGO), charities, and advocacy groups that openly operate in Egyptian society. Many of these groups pursue so-called “safe issues,” such as women’s rights, human rights, and social equality, as a way to work toward the much broader goal of democratization. Often times, the Egyptian government has created its own associations in order to boost its reform image at home and abroad, such as the government-sponsored National Council on Human Rights.

In Egypt, NGOs are required to apply for legal status and, according to Association Law 84-2003, NGOs must be registered with the Ministry of Social Affairs. There are an estimated 16,000 registered civic organizations in Egypt. In some cases, it may take years before the ministry rules on an application, and many groups are routinely rejected. If an NGO’s application is rejected, it has few legal rights and can be shut down. Its members can be imprisoned. However, even registered NGOs must tread carefully when engaging in sensitive political issues, as some groups have been periodically closed or have had their legal status revoked. NGO’s also must report all foreign donations to the Ministry of Social Affairs. Overall, tolerance for the activities of non-registered groups varies, and many NGOs operate without any legal protection.²⁰

Current Issues in U.S.-Egyptian Relations

Relations with Israel

The 1979 Egyptian-Israeli peace treaty has served as the basis for good relations between Egypt and the United States. Although Israel and Egypt have maintained cool relations since then, both parties have maintained the peace, and the United States has continued to underwrite the “costs” of peace by providing high amounts of annual economic and military aid to both parties. One “cost” for Egypt was the diplomatic isolation it suffered following the peace treaty. In 1979, Egypt was expelled from the Arab League, an organization it had helped found.²¹ At the time, the rest of the Arab world had felt betrayed by Egypt for making a separate peace with Israel.

Despite the treaty, the development of close economic, political, and diplomatic relations between Israel and Egypt has been limited since 1979. Although there have

²⁰ Human Rights Watch, “Margins of Repression: State Limits on Non-Governmental Organization Activism,” July 2005. Available online at [<http://hrw.org/english/docs/2005/07/04/egypt11217.htm>].

²¹ Egypt was readmitted to the Arab League in 1989 during a period of renewed international interest in Arab-Israeli peace.

been some initiatives in recent years, such as President Mubarak's attendance at the funeral for former Israeli Prime Minister Rabin and recent energy cooperation agreements,²² overall relations remain cool. In 1995, relations were strained when Egypt advocated Israeli signature of the Nuclear Non-Proliferation Treaty. Tensions arose again when Egypt withdrew its ambassador to Tel Aviv in November 2000 to protest Israeli actions against the Palestinians at the start of the latest *intifada*. Prime Minister Ariel Sharon sent two envoys to Cairo shortly after his February 6, 2001 election, reportedly to request the return of the Egyptian ambassador and to seek Egyptian assistance in moderating Arab League reactions to Israeli policies. Egypt announced that it would return its ambassador to Tel Aviv at the February 8, 2005 Palestinian-Israeli summit meeting at Sharm al-Shaykh.

Depiction of Israel and Jews in the Egyptian Media. Egypt, like other Arab states, has received much criticism for allowing state-owned media outlets to publish unsubstantiated conspiratorial theories regarding Israel and the Jewish people, which likely contribute to detrimental or negative views of Israel by the Egyptian people. Although some Egyptian intellectuals have called for an end to anti-Israeli incitement, Egyptian publications continue to publish stories that perpetuate allegations of Jewish involvement in blood libels, deny the existence of the Holocaust, and portray anti-Semitic publications, such as the Protocols of the Elders of Zion, as truth.²³ U.S. officials and some Members of Congress have urged the Egyptian government to speak out against anti-Semitism in media and society. Egyptian officials claim that they do not control the "free press."

The Israeli-Palestinian Conflict & Hamas

Most experts believe that progress in the Israeli-Palestinian peace process is the key to improved Egyptian-Israeli relations, as well as Israel's wider relationships with the Arab world. In light of the continued stalemate on the peace process, President Mubarak has attempted to act as a broker, advisor, messenger, and arbitrator in the hopes of galvanizing both sides to take the necessary risks for peace. In addition, Egypt's intelligence chief, Omar Suleiman, has repeatedly met with Hamas and Palestinian Authority figures in order to secure cease-fire arrangements with Israel. In January 2007, President Mubarak met with Israeli Prime Minister Ehud Olmert to discuss Egyptian support for Palestinian President Mahmoud Abbas and the supervision of the border between Sinai and the Gaza Strip.

Overall, Egypt, Israel, and the United States all have a shared interest in attempting to moderate and isolate Hamas and prevent it from further exacerbating conflict in the region. Though Egypt has often tried to steer a neutral course in

²² In June 2005, Egypt and Israel signed a long-delayed \$2.5 billion agreement on sales of Egyptian natural gas to Israel. Under the terms of the agreement, Israeli state-owned utility Israel Electric Corp will purchase gas from Eastern Mediterranean Gas (EMG), a private Israeli-Egyptian firm. On December 11, 2006, Israeli energy company Dorad Energy signed an agreement worth up to \$2.5 billion to buy natural gas from EMG. A pipeline from Egypt to Israel is being built.

²³ For a report on instances of anti-Semitism in Egypt, see the Anti-Defamation League's website at [http://www.adl.org/main_Arab_World/default.htm].

dealing with the Palestinians, most observers believe that Hamas's rise to prominence poses a number of challenges for Egyptian diplomacy in the region, since the Egyptian government has traditionally been at odds with its own domestic Islamist groups.

Egypt's Role in the Gaza Withdrawal. Israel unilaterally dismantled its settlements and withdrew its troops from the Gaza Strip in August and September 2005. In order to facilitate a smooth transition and take an active role in Israeli-Palestinian peace, Egypt offered to post border guards on the Gaza-Egyptian border, increase its efforts to reorganize and train Palestinian security forces, and halt smuggling of contraband into Gaza. After extensive negotiations with Israeli officials, Egypt deployed 750 border guards to secure "the Philadelphi Route," a strip of land in Egypt immediately adjacent to the Gaza Strip that is notorious for tunnels used for smuggling weapons and narcotics.²⁴ The memorandum of understanding between Israel and Egypt delineates the type of equipment the Egyptians may use (small arms and jeeps, no heavy armor) and the length of the patrol area (14km on the ground and 3 km into the sea).²⁵ Most importantly, Egypt is said to have promised not to provide weapons to Palestinian forces in order to allay Israeli concerns that such weapons may be used in terrorist attacks.

Egyptian officials share the opinion of other governments in the region that the unilateral Israeli withdrawal from Gaza should be the first step toward a general withdrawal of all Israeli forces from Palestinian territory. The Egyptians and others point out that Israeli withdrawal is called for in U.N. resolutions, particularly 242, and the recent "Road Map" approach to peace, and that many Israelis also favor withdrawal. Egyptian leaders believe that the United States should be less inclined to accept and support Israeli positions and more inclined to support what they view as an even handed approach that will ensure Palestinian rights. Egyptians also point out that the Road Map calls for Israel to stop building and expanding settlements in the occupied territories, and argue that the United States should be more forceful in compelling Israel to meet those commitments.

Smuggling Tunnels. For years, residents of the divided Palestinian town of Rafah have engaged in smuggling goods, people, and arms to and from the Gaza Strip. With the withdrawal of Israeli troops from the Gaza-Egyptian border in 2005, the job of curbing Palestinian smuggling activity has fallen on the Egyptian military, and Israeli officials have alternated between praising and criticizing Egypt in its efforts to uncover networks of hidden underground tunnels. Overall, there lies a fundamental difference between Israel and Egypt over the perceived threat of Palestinian smuggling. Israel believes that the digging of tunnels undermines its

²⁴ In August 2006, Egypt deployed another 1,200 civilian police officers to the Gaza-Egyptian border in order to prevent Palestinian militants from blowing a hole in the border wall. The Rafah border crossing has been closed since June 2006 due to continued Hamas-Israeli clashes. During the initial closure, some Palestinians who had earlier crossed into Egypt became stranded and unable to return home. Militants have repeatedly threatened to blow a hole in the border wall and free the stranded Palestinians on the Egyptian side.

²⁵ For a summary of the Israeli-Egyptian border agreement, see [<http://www.washingtoninstitute.org/templateC05.php?CID=2374>].

national security because it facilitates a steady stream of arms flowing into Gaza. Egyptian officials sometimes assert that Israeli officials exaggerate the threat posed by the tunnels and view their existence as part of a wider organized criminal enterprise that trades in cigarettes, drugs, and the smuggling of illegal workers, prostitutes, and even Palestinian brides for grooms inside Gaza.

In September 2006, Israeli Shin Bet chief Yuval Diskin warned that Palestinians may have smuggled anti-tank weapons over the Egyptian-Gaza border.²⁶ In follow-up statements, Diskin remarked that “The Egyptians know who the smugglers are and don’t deal with them.... They received intelligence on this from us and didn’t use it.” Ze’ev Schiff, a columnist for the Israeli newspaper *Ha’aretz* recently wrote that “The rules of engagement for the Egyptian forces guarding the border are also strange. The Egyptian guards are not allowed to shoot Palestinian smugglers. They are also not allowed to return fire unless they are endangered. Clearly the Egyptians are making great efforts not to hit Palestinians, even law breakers.”²⁷

Securing the Release of Gilad Shalit. Since mid-2006, Egypt has been working as an intermediary between Israel and Palestinian militants in the Gaza Strip to secure the release of captured 19-year old Israeli soldier Gilad Shalit. The Israeli soldier was captured after Palestinian militants, which Israel believes are associated with Hamas, tunneled into Israel near Kerem Shalom, a kibbutz adjacent to the border fence near Gaza and Egypt. Reportedly, the warring sides have been close to finalizing a prisoner exchange that would return Shalit to Israel, but the external leadership of Hamas in Damascus has negated any progress from taking place.

Arming Palestinian Moderates. In December 2006, several news outlets reported that Egypt, with the approval of the Israeli government, shipped 2,000 AK-47 rifles and large stockpiles of ammunition to Fatah-affiliated groups in the Gaza Strip.²⁸ With intra-Palestinian violence flaring in the Gaza Strip, U.S., Israeli, and Egyptian officials are concerned that Hamas militants could gain an upper hand over forces loyal to Palestinian Authority President Mahmoud Abbas. From Egypt’s standpoint, providing military support to one Palestinian faction, while in their interest, could pose problems for the Mubarak government. Egyptian public opinion may be somewhat sympathetic to Hamas, making public disclosure of overt Egyptian support for anti-Hamas groups an unwelcome development for the Mubarak government. On the other hand, Egypt derives certain political benefits as one of the few outside powers capable of acting as an intermediary between Israel, the United States, and the Palestinians.

²⁶ “Increased Attempts to Smuggle Weapons into Gaza Raise Concern,” *Ha’aretz*, September 6, 2006.

²⁷ “Egypt and weapons smuggling / Empty promises to prevent ‘Hamastan,’” *Ha’aretz*, November 4, 2006.

²⁸ See, “With approval of Israeli Gov’t, Egypt Transfers Thousands of Rifles to Fatah,” *Ha’aretz*, December 28, 2006.

Iraq

Iraq is not Egypt's highest foreign policy priority in the Middle East, but its stability and unity affect Egypt's position as a regional power. Egypt identifies itself as part of the "moderate" bloc of Sunni Arab governments who are partially aligned with U.S. interests in the region (e.g., peace with Israel, regional stability) and opposed to Shiite Iran and its rising regional ambitions. Iranian foreign policy runs counter to Egyptian interests in the Middle East in that Iran has provided support to terrorist groups seeking to disrupt the Israeli-Palestinian peace process. From an ideological standpoint, radical Sunni Islamists in Egypt have seized upon the Iranian revolution as a model in their own attempts to overthrow the secular Mubarak regime.

For Egypt, Iraq is a battleground of sorts in which Iranian influence must be checked. In a January 2007 interview with the Egyptian weekly *Al-Osboa*, President Hosni Mubarak stated that "Iran is trying to gain support in Iraq and in the region and I say to all: don't touch Iraq."

The Egyptian public's opposition to the Iraq war precluded the government from publicly supporting the United States. Nevertheless, Egypt expedited the passage of U.S. warships through the Suez Canal prior to (and during) Operation Iraqi Freedom in 2003, allowed U.S. overflights en route to the Persian Gulf, and has provided some training for the Iraqi security forces. Nevertheless, should the situation in Iraq spiral out of control and sectarian violence evolve into civil war, Egypt may expand efforts to support anti-Iranian elements in Iraq, though to what extent remains unknown. In all likelihood, Egypt would remain on the sidelines, but support the policies of Arab Gulf states such as Saudi Arabia who have a direct stake in Iraqi stability.

Nuclear Cooperation

During the ruling National Democratic Party's annual conference in September 2006, President Mubarak and his son Gamal announced in separate speeches Egypt's plans to revive its long-dormant nuclear energy program. Egypt's Energy Minister followed the dramatic announcement by saying that the possible construction of a \$1.5 billion, 1,000-megawatt nuclear power plant on the Mediterranean coast could be completed by 2015. Egypt is a signatory to the Nuclear Non-Proliferation Treaty (NPT) that allows for the peaceful production of nuclear energy. Egypt's nascent nuclear program was frozen in 1986 following the accident at the Chernobyl power plant in the Ukraine; however, it maintained a small experimental nuclear reactor. In 2005, the International Atomic Energy Agency (IAEA) investigated Egypt's nuclear activities and concluded that Egypt had conducted atomic research but that the research did not aim to develop nuclear weapons and did not include uranium enrichment. Egypt admitted to failing to disclose the full extent of its nuclear research activities to the IAEA.

As of January 2007, Egypt has not formally issued a tender for the construction of a nuclear reactor. At this time, it is unclear how Egypt will finance its civilian nuclear program. Some observers have speculated that the oil-rich Persian Gulf monarchies could subsidize Egypt's nuclear program. Leaders of the Gulf

Cooperation Council (GCC) recently stated that they intended to start a joint nuclear energy development program and that “states of the region have a right to possess nuclear energy technology for peaceful purposes.”²⁹ In October 2006, Secretary of State Condoleezza Rice stated that the United States “would be pleased” to discuss with Egypt its civilian nuclear energy plans. A month later, President Mubarak traveled to Russia and China, where he reportedly told Russian and Chinese leaders that Egypt welcomed their cooperation on the nuclear front. In February 2005, Robert Joseph, U.S. Under Secretary of State for Arms Control and International Security, met with Egyptian officials in Cairo to discuss nuclear cooperation issues. Although Egypt may have legitimate energy shortfalls that are driving the pursuit of nuclear energy, most analysts suspect that concern over Iran’s quest for nuclear weapons is behind the Egyptian initiative.³⁰

Sudan and the Conflict in Darfur

One of Egypt’s primary foreign policy goals is to secure the headwaters of the Nile, the lifeblood of Egypt and its main source of freshwater. The Blue Nile and White Nile converge in Sudan’s capital of Khartoum. Egypt aims to strengthen Sudan’s central government, and international condemnations of the Sudanese government’s complicity in the killings of Muslim African ethnic groups by the Arab Janjaweed militia in Darfur have placed Egypt in a difficult diplomatic position. On the one hand, the Egyptian government has stressed its humanitarian assistance to civilians in Darfur and its modest contribution to international peacekeeping forces stationed there. On the other hand, Egypt resisted dispatching United Nations peacekeepers to the Darfur region as called for in United Nations Security Council Resolution 1706, before it was abandoned in December 2006. According to Helmy Sharawi, head of the African Arab Studies Center in Cairo, “Egypt wants Sudan to stay unified. Egypt couldn’t bear economically or politically that Sudan could be divided. I don’t think there is any real threat of secession, but a U.N. presence could pose major problems for the regime. And if there’s a very weak government in Khartoum ... then the whole position of Egypt in the Nile basin community would be weakened.”³¹ H.Con.Res. 7 (introduced in the House on January 4, 2007) strongly urges the League of Arab States, among other things, to “declare the systematic torture, rape, and displacement of Darfurians a genocide.”

²⁹ “Arab Nations Plan to Start Joint Nuclear Energy Program,” *New York Times*, December 11, 2006.

³⁰ Although Egypt exports oil and natural gas, its overall reserves are modest, and the government claims that unless new deposits and fields are discovered, Egypt’s oil reserves will be exhausted in 14-17 years. Gas reserves are expected to last for at least another three decades. Furthermore, domestic consumption is expected to rise dramatically in the coming years, and the Egyptian government claims that demand for electricity will triple in the coming two decades. In Egypt, electricity is subsidized by the government.

³¹ “Why Egypt won’t press Sudan: the Nile,” *Christian Science Monitor*, October 5, 2006.

Terrorism

Over the past two years, there has been a resumption of terrorist activity in Egypt, in what some suggest could be a revival of earlier, more violent periods.

- In October 2004, bombs exploded at two major resorts that cater to Israelis and other Western tourists in the Sinai Peninsula, 34 people were killed and over 120 were wounded in the attack.
- On April 7, 2005, an explosion in the Khan al-Khalili market area of Cairo killed three, including one U.S. citizen. A group called the al-Ezz Islamic Brigade claimed responsibility for the attack.
- On April 30, 2005, a man exploded a suicide bomb near the Egyptian museum while being pursued by police, wounding seven; and two women, the fiancé and sister of the suicide bomber, fired at a tourist bus before committing suicide. No one was injured in the bus attack. Two groups claimed responsibility for the attacks, but neither claim was confirmed.
- On July 23, 2005, two car bombs and a set of explosives concealed in a backpack exploded at various tourist destinations in the Egyptian resort town of Sharm al-Shaykh. As many as 88 people, including one American, were killed in the blasts. Investigations into the attacks have focused on the possible link to a local terrorist cell who may have committed the October 2004 bombings.
- On April 24, 2006, Egyptian terrorists attacked the Sinai Peninsula resort town of Dahab, killing 21 people and injuring hundreds. Two days later, suicide bombers attacked a police station in the northern Sinai and a base camp of the Multinational Force and Observers, a peacekeeping mission that was created as part of the 1979 peace treaty between Egypt and Israel. Two people were injured in the attacks.

Egypt has suffered through a new wave of attacks emanating from previously unknown groups in the Sinai Peninsula. After each attack, Egyptian authorities identified some of the perpetrators as members of local Bedouin tribes. Egyptian security forces have launched several operations in the Sinai and have arrested hundreds of Bedouin suspects, leading some to speculate that police heavy-handedness may be further exacerbating tensions between Bedouin and the state.

The extent of outside involvement in the recent wave of terrorism in Egypt is still uncertain. The Bedouin/Palestinian terrorist network in the Sinai that has claimed credit for the bombings in Dahab, Sharm al-Shaykh, and Taba calls itself Al-Tawhid w'al-Jihad. Israeli officials have suggested that Al Qaeda or another international group operating in the Sinai may have supported the Bedouin operatives. Egyptian intelligence officials have publicly stated that some members of Al-Tawhid w'al-Jihad were sent to the Gaza Strip to receive training from Hamas. Other observers discount the possibility of outside involvement and believe that the

Bedouin, who have historically kept their distance from the state, have grown frustrated with poor living conditions in the Sinai and sought revenge for the mass detentions that followed the October 2004 bombings. Some experts postulate that, although the terrorists may have acted on their own, members of Al-Tawhid w'al-Jihad may have drawn their inspiration from Al Qaeda.

Figure 2. The Sinai Peninsula



Source: Map Resources. Adapted by CRS. (K. Yancey 5/19/06).

U.S. Policy to Promote Democracy in Egypt

Many analysts have questioned the depth of the U.S. commitment to democratization in Egypt, particularly after the 2006 Hamas victory in Palestinian parliamentary elections. In this changed atmosphere, in which Egyptian security cooperation on the Gaza-Egyptian border is valued, some observers have speculated that U.S. policy makers may tone down their rhetoric on reform in Egypt.

Through annual foreign operations and State Department appropriations legislation, Congress provides funding for reform in Egypt through the following programs: the United States Agency for International Development's (USAID) Egypt

Office;³² the Middle East Partnership Initiative (MEPI), a State Department program designed to encourage reform in Arab countries by strengthening Arab civil society, encouraging micro-enterprise, expanding political participation, and promoting women's rights;³³ the State Department's Human Rights and Democracy Fund (HRDF), an account that funds human rights promotion in Muslim-majority countries; and the National Endowment for Democracy's (NED) Muslim Democracy Program.

Congress seeks to ensure that U.S. foreign assistance for Egypt is being appropriately used to promote reform. In conference report (H.Rept. 108-792) language accompanying P.L. 108-447, the FY2005 Consolidated Appropriations Act, conferees specified that "democracy and governance activities shall not be subject to the prior approval of the GoE [government of Egypt]. The managers intend this language to include NGOs and other segments of civil society that may not be registered with, or officially recognized by, the GoE. However, the managers understand that the GoE should be kept informed of funding provided pursuant to these activities."

Many in the Egyptian government appear to feel threatened by the current thrust of U.S. policy and resist some U.S.-advocated changes that seek to empower opposition movements. In June 2006, the Egyptian government ordered the International Republican Institute (IRI) and the National Democratic Institute (NDI), two U.S. democracy promotion organizations, to halt all activities in Egypt until they formally registered with the government. According to the group's officials, they have submitted papers for registration in early July and are waiting for an Egyptian government response. In the meantime, their offices are open, but all programmatic activity has come to a halt.³⁴ Egypt took this action after the government was reportedly angered by the comments of an IRI employee who gave an interview to a local paper in which she remarked that political reform in Egypt had not been achieved in the past 25 years and that the institute would work to speed up political reform in the country.

The Economy & U.S.-Egyptian Trade

As a developing country with the largest population (and the second largest economy) in the Arab world, Egypt faces a number of economic and environmental challenges, including a lack of arable land, high unemployment, rampant corruption, rapid urbanization, and extreme poverty (30% of the population lives below the poverty line). Egypt's economy revolves around several sectors: the state; the production of oil and natural gas; the tourism industry; remittances from over two million Egyptians working abroad; revenues from the Suez Canal; agriculture;

³² For a list of USAID's democracy and good governance programs in Egypt, see the USAID website at [http://www.usaid.gov/locations/asia_near_east/countries/egypt/egypt.html].

³³ It was recently reported that, for the first time, MEPI has issued several small grants to political activists and human rights organizations in Egypt. See "Tentative Steps: Democracy Drive By America Meets Reality in Egypt," *Wall Street Journal*, April 11, 2005.

³⁴ CRS analyst's conversation with officials in Cairo, July 14, 2006.

clothing and textile manufacturing; pharmaceuticals; and foreign aid. Since the early years of Anwar Sadat's rule, Egypt has been evolving from a centrally controlled, socialist economy to a free market, capitalist society — a gradual process that has created difficult decisions for the Egyptian government, income inequality, and hardships for the Egyptian people.³⁵

In order to increase foreign investment and qualify for development loans from international lending institutions, Egypt has had to demonstrate that it is making tangible progress in liberalizing its economy. Based on government consultations with the International Monetary Fund (IMF), Egypt committed to reducing its budget deficit through fiscal restraint in 2005. The government reduced energy subsidies, but faces enormous political resistance to trimming public subsidies on bread, sugar, and cooking oil, which cushion the impact of economic downturns on Egypt's poor.³⁶ Egypt also reinvigorated its privatization program to attract foreign investment, allocate resources more efficiently, and increase external competitiveness. Significant shares of the state-owned Suez Cement Company and joint ventures in the energy sector have been sold. The government divested shares in the state-dominated banking and insurance sectors as well. Privatization efforts have stalled recently due to disagreements about labor issues and concerns about the impact of privatization on unemployment and the price of goods. Additionally, the government removed import service fees and surcharges and reduced the average weighted rate for tariffs in September 2004. In the past few years, the government liberalized the telecommunications sector, but significant trade barriers remain in the service sector. Although analysts remain cautious as to what effect reforms may have on the economy, the government has recently streamlined the tax system, canceled many customs duties, and forced smaller banks to merge with the country's four largest banks.

Corruption. Egypt, like other developing nations, has struggled to overcome high levels of corruption, which many analysts consider the biggest obstacle to achieving economic growth. Corruption in Egypt is found in all sectors of the government as, in recent years, a number of high level officials (including several former ministers) has been indicted for fraud and influence peddling. Moreover, Egypt's bloated, cumbersome bureaucracy is infamous for making bribery a common practice, as poorly-paid government workers seek additional money and citizens seek ways to circumvent the maze of public regulations and overlapping agencies. Some analysts believe that the corruption issue enhances the popularity of the Muslim Brotherhood, which frequently invokes Islam to rally against the moral corruption in society. The Egyptian press also has been active in exposing corruption scandals.

³⁵ It is estimated that the public sector in Egypt still employs nearly a third of the population. See American Chamber of Commerce in Egypt, Egypt Key Economic Indicators, online at [<http://www.amcham.org.eg/BSAC/EconomicIndicators/EcIndicators.asp>].

³⁶ In 1977, there were mass demonstrations throughout Egypt following the government's decision to cut public subsidies on flour, rice, and cooking oil in order to demonstrate to international lenders, such as the International Monetary Fund, that Egypt was making necessary macroeconomic reforms. Over the course of two days, several hundred were killed and hundreds more arrested, as the Egyptian army was called into the streets to restore order.

Trade Overview. The United States is Egypt's largest bilateral trading partner, while Egypt is the United States' 54th largest trading partner.³⁷ According to the Department of Commerce's 2004 Country Commercial Guide for Egypt, Egypt is the largest single market worldwide for American wheat and is a significant importer of other agricultural commodities, machinery, and equipment.³⁸ The United States also is the second largest foreign investor in Egypt, primarily in the oil and gas sector.

Since the mid-1990s, Egyptian officials have sought to negotiate a free trade agreement (FTA) with the United States, claiming that an Egyptian-American FTA could boost Egypt's economy by as much as 3%. The two parties signed a Trade and Investment Framework Agreement (TIFA) in 1999. The TIFA established a Council on Trade and Investment (TIFA Council) composed of representatives of both governments and chaired by the United States Trade Representative (USTR) and Egypt's Minister of Economy and Foreign Trade. Intellectual property rights (IPR) protection was a contentious issue in pre-FTA negotiations held under the TIFA. The U.S. Trade Representative (USTR) placed Egypt on its 2006 Special 301 Priority Watch List due to Egypt's inadequate IPR enforcement and issuance of market approvals for unauthorized pharmaceutical products.

Table 1. U.S.-Egyptian Trade Statistics 2004-2005

Selected Commodities	2004	2005
	\$ Amount Estimated	\$ Amount Estimated
U.S. Exports to Egypt	3.1 billion	3.2 billion
Machinery	514 million	570 million
Cereals	808 million	553 million
Vehicles	229 million	344 million
Aircraft	350 million	231 million
U.S. Imports from Egypt	1.3 billion	2.1 billion
Mineral Fuel, Oil	262 million	1.078 billion
Apparel	422 million	444 million
Iron & Steel	254 million	103 million

Source: U.S. International Trade Commission (USITC) Interactive Tariff and Trade DataWeb, accessible at [<http://www.dataweb.usitc.gov>].

On January 17, 2006, the *New York Times* reported that the United States had put on hold its intention to announce free trade talks with Egypt. The decision to table such an announcement was reportedly done in protest to the sentencing of secular opposition figure Ayman Nour to five years in prison for his alleged fraud in registering his political party. Nour, who placed second in Egypt's 2005 presidential election, is appealing the decision and remains in prison. In October 2005, Rob

³⁷ The European Union is Egypt's largest multilateral trading partner.

³⁸ U.S. Department of Commerce, *Egypt Country Commercial Guide FY2004*, October 2003.

Portman, the former United States trade representative, had told Congress that the Administration was considering negotiating trade agreements with Egypt and three other Middle Eastern countries.³⁹

In 1996, Congress authorized the creation of Qualified Industrial Zones (QIZ) in order to entitle goods jointly produced by Israel and either Jordan or Egypt to enter the United States duty free.⁴⁰ In December 2004, Egypt finally reached an agreement with Israel to designate several Qualified Industrial Zones (QIZ) in Egypt under the mandate of the U.S.-Israeli Free Trade Agreement. Goods produced in Egyptian QIZs allow Egyptian-made products to be exported to the United States duty-free if the products contain at least 11.7% input from Israel. On November 1, 2005, the USTR designated a new Qualified Industrial Zone (QIZ) in the central Nile delta region, bringing the total number of QIZs in Egypt to four.

Human Rights, Religious Freedom, and Women's Rights

According to the U.S. State Department's *2006 Country Reports on Human Rights Practices*, the Egyptian government's respect for human rights "remained poor, and serious abuses continued in many areas." The 2006 report, as in past years, documents several instances of torture allegedly carried out by Egyptian security forces. The Egyptian prison system, particularly detention facilities used for incarcerating suspected Islamist radicals, has come under increasing international scrutiny for exacerbating militancy in the region due to its tendency to harden some criminals who have been tortured over prolonged periods of time.

International human rights organizations have long documented instances of torture, arbitrary detainment, and discrimination against women, homosexuals, and Coptic Christians in Egypt. The government has long restricted freedom of assembly, though recent opposition protests have been permitted and, in some cases, police were absent from public demonstrations. In recent years, press freedom and general freedom of speech have expanded in Egypt, though legal restrictions, such as press laws which can lead to jail terms for journalists convicted of defamation, continue to foster a high degree of self-censorship in the media. However, Arab satellite televisions, like Al Jazeera and others, have challenged Egyptian state-owned media by broadcasting, among other programs, opposition demonstrations and interviews with Muslim Brotherhood members.

In 2006, security forces arrested, detained without charge, and fined several bloggers. One activist, 22-year old student blogger Abdel Karim Nabil Suleiman, was arrested in November 2006 for criticizing conservative Muslims. In February 2007, he was sentenced to four years in prison on charges of insulting the Prophet Muhammad, inciting sectarian strife, and insulting President Hosni Mubarak. His appeals have been denied.

³⁹ "United States Designates New Qualifying Industrial Zone in Egypt," U.S. Department of State International Information Programs, November 1, 2005.

⁴⁰ See CRS Report RS22002, *Qualified Industrial Zones in Jordan: A Model for Promoting Peace and Development in the Middle East?*, by Mary Jane Bolle, Alfred Prados, and Jeremy Sharp.

Some Egyptian and international human rights activists have charged that U.S. human rights policy toward Egypt is hypocritical, asserting that U.S. policy makers have not adequately championed improved human rights in Egypt due to *realpolitik* considerations in the region. In addition, several reports suggest that, since the September 11, 2001, terrorist attacks, the U.S. Central Intelligence Agency has deported several suspected Al Qaeda operatives to Egypt (along with other Arab countries) in order to be interrogated and possibly tortured. Some observers have questioned the credibility of U.S. human rights policy toward Egypt, if, on the one hand, the United States condemns Egyptian practices of torture and illegal detainment, and, on the other hand, the United States condones Egyptian government behavior when it suits the interests of U.S. national security.

Religious Freedom. There is no official government policy of discrimination against the 9 million Coptic Christians in Egypt, and the Constitution provides for equal rights without regard to religion. Nevertheless, critics note that there are no Christians serving as governors, police commissioners, city mayors, public university presidents, or deans.⁴¹ Converts to Christianity in Egypt may face bureaucratic obstacles in registering their new religious status with the state. In addition, there have been reports of periodic discrimination against small minority communities of Baha'is (an estimated 2,000 Baha'is live in Egypt), Shiites, and Jews (200 remain in Egypt). In an effort to promote tolerance, President Mubarak in December 2003 recognized the Coptic Christmas, January 6, as a national holiday.

Despite government efforts to improve Muslim-Christian relations, a number of obstacles remain. For example, the 10 articles of "Humayun," or the Humayun Code, a portion of Ottoman legislation from 1856, still controls the building or repair of churches in Egypt and is a source of great aggravation to Coptic Christians. Under this law, a license is required to erect a church. In addition, there are ten restricting conditions for the construction of churches, including a minimum distance between churches and between a church and the nearest mosque, as well as the absence of objection on the part of Muslim neighbors. In December 2004, President Mubarak issued a new decree that devolved church repair and reconstruction decisions to the provincial level and stipulated that churches would be permitted to proceed with rebuilding and repair without legal hindrance. However, permits for construction of new churches require a presidential decree.

Women's Rights. Although Egyptian women have played major roles in the country's drive for independence and many women currently serve in prestigious public posts, women face a number of obstacles at the legal, religious, and cultural levels. For example, according to the U.S. State Department's 2004 Human Rights Report on Egypt, female genital mutilation (FGM) remained a serious problem because of widespread cultural acceptance, despite the government's attempts to eliminate the practice.⁴² Moreover, personal status laws governing marriage, divorce,

⁴¹ Egypt's Minister of Finance, Yusef Boutros-Ghali, hails from a prominent Christian family.

⁴² According to the report, an estimated 97% of Egyptian women who have ever been married had undergone FGM. See U.S. State Department, Country Report on Human Rights (continued...)

custody, and inheritance discriminate against women, particularly when it comes to divorce, as there is much societal resistance to breaking up the family unit. Domestic violence also is a major issue, as some estimate that as many as a third of all married Egyptian women have faced some form of physical abuse.⁴³ In recent years, new non-governmental organizations have started to provide services and counseling to women, who may be too afraid to go to the authorities.

Military Cooperation

“Bright Star” and other Joint Military Operations. The United States and Egypt conducted the first “Bright Star” joint military exercise in August 1983, and continue to hold periodic “Bright Star” exercises for infantry, airborne, artillery, and armored forces. The 1983 Bright Star was more than a training exercise: President Mubarak asked the United States to send Airborne Warning and Control System aircraft (AWACS) to monitor Libya’s activity toward Sudan in February 1983. President Reagan sent AWACS planes and crews to monitor Libyan flights and the AWACS remained to take part in the first Bright Star. AWACS returned to Egypt in March-April 1984 to monitor Libyan flights toward Sudan after an incident in which a Libyan plane allegedly bombed Khartoum. On August 11, 2003, the United States announced that it was canceling the October 2003 Bright Star exercise because U.S. armed forces were over-committed in Afghanistan, Iraq, and other areas. In 2005, Bright Star exercises took place in Egypt with over 9,000 U.S. troops reportedly participating.

Intelligence Cooperation. Although it is difficult to discern the extent of U.S.-Egyptian intelligence cooperation, there is a sense among many U.S. security officials that Egypt’s long struggle against domestic Islamic radicals has made it a valuable partner in the global war on terrorism. Since the September 11, 2001 terrorist attacks, there have been several reports suggesting that the U.S. Central Intelligence Agency has deported several suspected Al Qaeda operatives to Egypt (along with other Arab countries) in order to be interrogated. In 2005, an Italian prosecutor asked a judge to issue arrest warrants for several CIA operatives accused of kidnaping an Egyptian cleric off the streets of Milan and bringing him to Egypt in 2003. The cleric reportedly was held in prison for more than two years without formal charges, though Egyptian officials have accused him of having ties to Jamaah Islamiya.⁴⁴ In March 2007, he was released from an Egyptian prison and is reportedly planning to sue the U.S. and Italian governments. Milanese prosecutors are reportedly building a case against 39 people, including 25 Americans. Members of the Italian secret services, including Nicolo Pollari, the director of the Italian military intelligence agency known as Sismi Pignero, have been charged in the case.

⁴² (...continued)

Practices: Egypt, February 2005. Available at [<http://www.state.gov/g/drl/rls/hrrpt/2004/41720.htm>].

⁴³ Human Rights Watch, “Divorced from Justice: Women’s Unequal Access to Divorce in Egypt,” June 2004. Available online at [<http://hrw.org/reports/2004/egypt1204/>].

⁴⁴ Ibid.

U.S. Foreign Assistance to Egypt

Since 1979, Egypt has been the second largest recipient, after Israel, of U.S. foreign assistance, receiving an annual average of over \$2 billion in economic and military aid. Congress typically earmarks foreign assistance for Egypt in the foreign operations appropriations bill. The annual earmark has included a statement that Egypt should undertake further economic reforms in addition to reforms taken in previous years.

Economic Aid

Annual bilateral economic assistance to Egypt is typically provided in three different ways: (1) as a direct cash transfer to the Egyptian government; (2) as part of the Commodity Import Program, which provides hard currency to the Egyptian private sector to purchase U.S. agricultural goods; and (3) as funds for USAID programming in Egypt. In recent years, Congress has sought to specify how Egypt's economic aid would be spent, prioritizing funding for USAID's democracy and education programs. Egypt claims that U.S. assistance programs must be jointly negotiated and cannot be unilaterally dictated by the United States.

As part of the FY2007 request, USAID plans on spending \$255 million in ESF. The Administration intends to provide \$183 million of Egypt's \$455 million total ESF package as a direct cash transfer. There is no request for CIP funds in the FY2007 Administration budget.

U.S. economic assistance to Egypt has been decreasing since 1998, when the United States began reducing economic assistance to Egypt and Israel. In January 1998, Israeli officials negotiated with the United States to reduce economic aid and increase military aid over a 10-year period. A 3 to 2 ratio similar to U.S. aid to Israel and Egypt was applied to the reduction in aid (\$60 million reduction for Israel and \$40 million reduction for Egypt), but Egypt has not received an increase in military assistance. Economic aid has dropped in annual \$40 million increments from \$815 million in FY1998 to \$455 million in ESF for the FY2007 request.⁴⁵

FY2007 Rescission. The cash transfer portion of annual ESF to Egypt is conditioned on Egyptian efforts to implement necessary economic reforms. USAID has withheld the disbursement of several hundred million dollars in ESF to Egypt until certain benchmarks have been met. These benchmarks were outlined in a March 2005 financial sector reform agreement between USAID and the Egyptian government. In report language (H.Rept. 109-486) accompanying the House version of H.R. 5522, the FY2007 Foreign Operations Appropriations Bill, appropriators recommended that the Administration rescind \$200 million in cash assistance funds previously appropriated but not yet expended. The Senate version recommended rescinding \$300 million from prior year ESF assistance for Egypt. Lawmakers did

⁴⁵ Egypt has periodically received supplemental aid. The FY2003 Emergency Supplemental Appropriations Act (P.L. 108-11) included \$300 million in ESF for Egypt, which could be used to cover the costs of up to \$2 billion in loan guarantees. The loan guarantees are to be issued over three years.

note that “When the Government of Egypt completes additional benchmarks of the financial sector reform agreement of March 2005 and funds are needed by USAID to transfer to Egypt in accordance with the agreement, the Committee will consider accommodating that requirement at the appropriate time.”

On February 15, 2007, Congress passed H.J.Res 20, the FY2007 Revised Continuing Appropriations Resolution (P.L. 110-5). Section 20405 of the act rescinds \$200 million in previously appropriated economic assistance to Egypt.

Military Aid

The Administration has requested \$1.3 billion in FMF for Egypt in FY2007 — the same amount it received in FY2006. FMF aid to Egypt is divided into three general components: (1) acquisitions, (2) upgrades to existing equipment, and (3) follow-on support/ maintenance contracts. According to the Government Accountability Office, over the life of Egypt’s FMF program, Egypt has purchased 36 Apache helicopters, 220 F-16 aircraft, 880 M1A1 tanks, and the accompanying training and maintenance to support these systems, among other items.⁴⁶ According to the U.S. and Egyptian defense officials, approximately 30% of annual FMF aid to Egypt is spent on new weapons systems, as Egypt’s defense modernization plan is designed to gradually replace most of Egypt’s older Soviet weaponry with U.S. equipment. That figure is expected to decline over the long term because of the rising costs associated with follow-on maintenance contracts. Egyptian military officials have repeatedly sought additional FMF funds to offset the escalating costs of follow-on support. Egypt also receives Excess Defense Articles (EDA) worth hundreds of millions of dollars annually from the Pentagon. Egyptian officers also participate in the IMET program (\$1.2 million requested for FY2007) in order to facilitate U.S.-Egyptian military cooperation over the long term.

In addition to large amounts of annual U.S. military assistance, Egypt also benefits from certain aid provisions that are available to only a few other countries. Since 2000, Egypt’s FMF funds have been deposited in an interest bearing account in the Federal Reserve Bank of New York and have remained there until they are obligated. By law (P.L. 106-280), Congress must be notified if any of the interest accrued in this account is obligated. Most importantly, Egypt is allowed to set aside FMF funds for current year payments only, rather than set aside the full amount needed to meet the full cost of multi-year purchases. Cash flow financing allows Egypt to negotiate major arms purchases with U.S. defense suppliers.

Possible Weapons Purchase from Russia? In late 2006, President Mubarak traveled to Russia, where in meetings with President Putin, he suggested that Egypt may purchase additional Russian aircraft and air defense systems. One Egyptian analyst observed that “The statements are intended for the United States, probably as a response to the pressure the United States places on Egypt through the aid it provides. The American Congress is always debating whether to renew the aid,

⁴⁶ See [<http://www.gao.gov/new.items/d06437.pdf>].

asking whether Egypt is on our side. So this is a message to the American Congress.”⁴⁷

Recent U.S. Military Sales to Egypt. As stated earlier, Egypt uses its FMF funds to purchase U.S. defense equipment. By law, Congress must be notified of any new purchase agreement. Israel has protested U.S. sales of certain military technologies to Egypt; the Egyptians insist that all U.S. weaponry is used for defensive purposes and is intended to upgrade or replace its aging Soviet hardware. The Department of Defense’s Defense Security Cooperation Agency (DSCA), is charged with managing U.S. arms sales to Egypt. Recent sales include one reported on July 29, 2005, when the Defense Security Cooperation Agency notified Congress of a possible Foreign Military Sale to Egypt of 200 M109A5 155mm self-propelled howitzers as well as associated equipment and services. The total value, if all options are exercised, could be as high as \$181 million.

FY2006 Foreign Operations Appropriations Act

The conference report (H.Rept. 109-265) on H.R. 3057, the FY2006 Foreign Operations Appropriations Bill, provides the full request for Egypt (\$495 million in ESF, \$1.43 billion in FMF); however, it designates \$100 million in economic aid for USAID education and democracy and governance programming and conditions another \$227.6 million on economic reform benchmarks set out in a March 2005 memorandum of understanding between the United States and Egypt. In addition, conferees stated that “not less than 50 percent of the funds for democracy, governance and human rights be provided through non-governmental organizations for the purpose of strengthening Egyptian civil society organizations, enhancing their participation in the political process and their ability to promote and monitor human rights.” Finally, conferees did not include a Senate provision conditioning U.S. assistance to Egypt on the construction of an FM transmitter tower for Radio Sawa.

FY2007 Foreign Operations Appropriations

For FY2007, Foreign Operations programs are currently operating under the terms of a continuing appropriations resolution. On February 15, 2007, Congress passed H.J.Res 20, the FY2007 Revised Continuing Appropriations Resolution (P.L. 110-5). The act provides \$1.3 billion in FMF for Egypt but does not provide a specific amount of ESF. Section 20405 of the act rescinds \$200 million in previously appropriated economic assistance to Egypt.

U.S. Assistance to Egypt: Possible Changes

Some lawmakers believe that U.S. assistance to Egypt has not been effective in promoting political and economic reform and that foreign assistance agreements must be renegotiated to include benchmarks that Egypt must meet to continue to qualify for U.S. foreign aid. Others have periodically called for restrictions on U.S. aid to Egypt on the grounds that Egypt indirectly supports Palestinian terrorism, suppresses

⁴⁷ “Revisiting Historical Policy of Seeking Arms from Russia,” *Daily Star* (Cairo), November 2, 2006.

its own population, including minority Christians, and continues to allow Egyptian state-owned media outlets to publish unsubstantiated conspiracy theories regarding Israel and the Jewish people.

The Administration and Egyptian government assert that reducing Egypt's military aid would undercut peace between Israel and Egypt. Overall, many U.S. observers believe that U.S. support for Egypt stabilizes the region and extends U.S. influence in the most populous Arab country. Supporters of continued U.S. assistance note that Egypt helps train Iraqi and Palestinian security forces, cooperates with the U.S. military, provides access and facilities to U.S. forces in the Middle East, and is helping patrol the Egyptian-Gaza border after Israel's 2005 withdrawal from the Gaza Strip.

For years, Congress has specified in annual foreign operations appropriations legislation that ESF funds to Egypt are provided with the understanding that Egypt undertake certain economic reforms and liberalize its economy. USAID believes that its programs have helped contribute to Egypt's economic growth and macroeconomic stability. Others note that Egypt still has a bloated public sector, and assert that U.S. economic aid mainly helps subsidize Egypt's social welfare and education budget.

Legislative Proposals and Congressional Action on Aid to Egypt.

An amendment offered on July 15, 2004, to the House FY2005 foreign operations bill (H.R. 4818) would have reduced U.S. military aid to Egypt by \$570 million and increased economic aid by the same amount, but the amendment failed by a vote of 131 to 287. An amendment offered on June 28, 2005, to the House FY2006 foreign operations bill (H.R. 3057) would have reduced U.S. military aid to Egypt by \$750 million and would have transferred that amount to child survival and health programs managed by USAID. The amendment failed by a recorded vote of 87 to 326.

On May 3, 2006, in an amendment to the Senate-passed version of H.R. 4939, the FY2006 Emergency Supplemental bill, the Senate rescinded \$47 million in FY2006 economic aid to Egypt (cash grant portion). The June 8, 2006, conference agreement on H.R. 4939 (H.Rept. 109-494) did not include the rescission.

On May 25, 2006, the House Appropriations Committee in a voice vote rejected an amendment to cut \$200 million in military aid to Egypt during markup of H.R. 5522, the FY2007 Foreign Operations Appropriations Bill. In June 2006, the House narrowly defeated an amendment (198-225) to H.R. 5522 that would have reallocated \$100 million in economic aid to Egypt and used it instead to fight AIDS worldwide and to assist the Darfur region of Sudan. Many supporters of the amendment were dismayed by the Egyptian government's spring 2006 crackdown on pro-democracy activists in Cairo. Representative David Obey of Wisconsin sponsored both amendments.

Table 2. Recent U.S. Aid to Egypt
(millions of dollars)

Year	Economic	Military	IMET	Total
1948-1997	23,288.6	22,353.5	27.3	45,669.4
1998	815.0	1,300.0	1.0	2,116.0
1999	775.0	1,300.0	1.0	2,076.0
2000	727.3	1,300.0	1.0	2,028.3
2001	695.0	1,300.0	1.0	1,996.0
2002	655.0	1,300.0	1.0	1,956.0
2003	911.0	1,300.0	1.2	2,212.2
2004	571.6	1,292.3	1.4	1,865.3
2005	530.7	1,289.6	1.2	1,821.5
2006	490.0	1,287.0	1.2	1,778.2
Total	29,459.2	34,022.4	37.3	63,518.9

Note: FY2004 totals reflect the .59% across-the-board reduction.

Table 3. U.S. Foreign Assistance to Egypt, 1946-1997
(millions of dollars)

Year	Total	Military Loan	Military Grant	I.M.E.T Grant	Misc. Economic Grant	D.A. Loan	D.A. Grant	ESF Loan	ESF Grant	P.L. 480 I	P.L. 480 II
1946	9.6	—	—	—	9.3 Surplus 0.3 UNWRA	—	—	—	—	—	—
1948	1.4	—	—	—	1.4 Surplus	—	—	—	—	—	—
1951	0.1	—	—	—	0.1 Tech Asst	—	—	—	—	—	—
1952	1.2	—	—	—	—	—	0.4	—	—	—	0.8
1953	12.9	—	—	—	—	—	12.9	—	—	—	—
1954	4	—	—	—	—	—	3.3	—	—	—	0.7
1955	66.3	—	—	—	—	7.5	35.3	—	—	—	23.5
1956	33.3	—	—	—	—	—	2.6	—	—	13.2	17.5
1957	1	—	—	—	—	—	0.7	—	—	—	0.3
1958	0.6	—	—	—	—	—	0	—	—	—	0.6
1959	44.8	—	—	—	—	—	2	—	—	33.9	8.9
1960	65.9	—	—	—	—	15.4	5.7	—	—	36.6	8.2
1961	73.5	—	—	—	—	—	2.3	—	—	48.6	22.6
1962	200.5	—	—	—	—	20	2.2	20	—	114	44.3
1963	146.7	—	—	—	—	36.3	2.3	10	—	78.5	19.6
1964	95.5	—	—	—	—	—	1.4	—	—	85.2	8.9
1965	97.6	—	—	—	—	—	2.3	—	—	84.9	10.4
1966	27.6	—	—	—	—	—	1.5	—	—	16.4	9.7
1967	12.6	—	—	—	—	—	0.8	—	—	—	11.8
1972	1.5	—	—	—	—	1.5	—	—	—	—	—
1973	0.8	—	—	—	—	—	—	—	—	—	0.8
1974	21.3	—	—	—	—	—	—	—	8.5	9.5	3.3

CRS-33

Year	Total	Military Loan	Military Grant	I.M.E.T Grant	Misc. Economic Grant	D.A. Loan	D.A. Grant	ESF Loan	ESF Grant	P.L. 480 I	P.L. 480 II
1975	370.1	—	—	—	—	—	—	194.3	58.5	104.5	12.8
1976	464.3	—	—	—	—	—	5.4	150	102.8	201.7	4.4
TQ	552.5	—	—	—	—	—	—	429	107.8	14.6	1.1
1977	907.8	—	—	—	—	—	—	600	99.2	196.8	11.7
1978	943.2	—	—	0.2	0.1 Narc.	—	—	617.4	133.3	179.7	12.5
1979	2588.5	1500	—	0.4	—	—	—	250	585	230.7	22.4
1980	1167.3	—	—	0.8	—	—	—	280	585	285.3	16.1
1981	1681.2	550	—	0.8	—	—	—	70	759	272.5	28.9
1982	1967.3	700	200	2.4	—	—	—	—	771	262	31.9
1983	2332	900	425	1.9	—	—	—	—	750	238.3	16.8
1984	2470.8	900	465	1.7	—	—	—	—	852.9	237.5	13.7
1985	2468.7	—	1175	1.7	—	—	—	—	1065.1	213.8	13.2
1986	2539.1	—	1244.1	1.7	—	—	—	—	1069.2	217.5	6.6
1987	2317	—	1300	1.8	—	—	—	—	819.7	191.7	3.9
1988	2174.9	—	1300	1.5	—	—	—	—	717.8	153	2.6
1989	2269.6	—	1300	1.5	—	—	1.5	—	815	150.5	1.2
1990	2397.4	—	1294.4	1.6	—	—	—	—	898.4	203	—
1991	2300.2	—	1300	1.9	—	—	—	—	780.8	165	52.5
1992	2235.1	—	1300	1.8	—	—	—	—	892.9	40.4	—
1993	2052.9	—	1300	1.8	—	—	—	—	747.0	—	4.1
1994	1868.6	—	1300	0.8	—	—	—	—	561.6	35	6.2
1995	2414.5	—	1300	1	—	—	0.2	—	1113.3	—	—
1996	2116.6	—	1300	1	—	—	—	—	815	—	0.6
1997P	2116	—	1300	1	—	—	—	—	815	—	—
Total	45669.4	4550	17803.5	27.3.0	11.2	80.7	82.8	2620.7	15923.8	4,114.3	455.1

CRS-34

Notes: Totals may not add due to rounding. No U.S. aid programs for years 1947, 1949, 1950, 1968, 1969, 1970, and 1971. P.L. 480 II Grant for 1993 includes \$2.1 million in Sec. 416 food donations.

TQ	= Transition Quarter; change from June to September fiscal year
*	= less than \$100,000
I.M.E.T.	= International Military Education and Training
UNRWA	= United Nations Relief and Works Agency
Surplus	= Surplus Property
Tech. Asst.	= Technical Assistance
Narc.	= International Narcotics Control
D. A.	= Development Assistance
ESF	= Economic Support Funds
P.L. 480 I	= Public Law 480 (Food for Peace), Title I Loan
P.L. 480 II	= Public Law 480 (Food for Peace), Title II Grant
P	= Preliminary