

Egypt: Background and U.S. Relations

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Historically, Egypt has been an important country for U.S. national security interests based on its geography, demography, and diplomatic posture. Egypt controls the Suez Canal, which is one of the world's most well-known maritime chokepoints, linking the Mediterranean and Red Seas. Egypt's population of more than 100 million people makes it by far the most populous Arabic-speaking country. Although today it may not play the same type of leading political or military role in the Arab world as it has in the past, Egypt may retain some "soft power" by virtue of its history, media, and culture. Cairo hosts both the 22-member Arab League and Al Azhar University, which claims to be the oldest continuously operating university in the world and has symbolic importance as a leading source of Islamic scholarship.

Additionally, Egypt's 1979 peace treaty with Israel remains one of the most significant diplomatic achievements for the promotion of Arab-Israeli peace. While people-to-people relations remain cold, the Israeli and Egyptian governments have increased their cooperation against Islamist militants and instability in the Sinai Peninsula and Gaza Strip.

Personnel moves and amendments to the Egyptian constitution highlight apparent efforts by President Abdel Fattah al Sisi to consolidate power with the help of political allies, including colleagues from Egypt's security establishment. President Sisi, who first took power in 2013 after the military deposed his predecessor, has come under repeated international criticism for an ongoing government crackdown against various forms of political dissent and freedom of expression. The Egyptian government has defended its human rights record, asserting that the country is under pressure from terrorist groups seeking to destabilize Arab nation-states.

Egypt has a positive macroeconomic outlook, but significant challenges remain, and many Egyptian workers have endured several years of increases in the cost of living. In fall 2019, with many Arab governments facing youth-driven unrest, a few thousand Egyptians protested across several cities denouncing the Sisi-led government. Authorities responded with a wave of arrests and security forces deployed in urban areas across the country to deter additional protest.

The United States has provided significant military and economic assistance to Egypt since the late 1970s. Successive U.S. Administrations have justified aid to Egypt as an investment in regional stability, built primarily on long-running cooperation with the Egyptian military and on sustaining the 1979 Egyptian-Israeli peace treaty.

All U.S. foreign aid to Egypt (or any recipient) is appropriated and authorized by Congress. Since 1946, the United States has provided Egypt with over \$83 billion in bilateral foreign aid (calculated in historical dollars—not adjusted for inflation). Annual appropriations legislation includes several conditions governing the release of these funds. All U.S. military aid to Egypt finances the procurement of weapons systems and services from U.S. defense contractors.

For FY2019, Congress has appropriated \$1.4 billion in total bilateral assistance for Egypt, the same amount it provided in FY2018. For FY2020, the President is requesting a total of \$1.382 billion in bilateral assistance for Egypt. Nearly all of the U.S. funds for Egypt come from the Foreign Military Financing (FMF) account and provide grant aid with which Egypt purchases and maintains U.S.-origin military equipment.

Beyond the United States, President Sisi has broadened Egypt's international base of support to include several key partners, including the Arab Gulf states, Israel, Russia, and France. Since 2014, French-Egyptian ties have improved and Egypt has purchased major air and naval defense systems from French defense companies.

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Historical Background

Since 1952, when a cabal of Egyptian Army officers, known as the Free Officers Movement, ousted the British-backed king, Egypt's military has produced four presidents; Gamal Abdel Nasser (1954-1970), Anwar Sadat (1970-1981), Hosni Mubarak (1981-2011), and Abdel Fattah al Sisi (2013-present). In general, these four men have ruled Egypt with strong backing from the country's security establishment. The only significant and abiding opposition has come from the Egyptian Muslim Brotherhood, an organization that has opposed single party military-backed rule and advocated for a state governed by a vaguely articulated combination of civil and Shariah (Islamic) law.

Egypt's sole departure from this general formula took place between 2011 and 2013, after popular demonstrations sparked by the "Arab Spring," which had started in neighboring Tunisia, compelled the military to force the resignation of former President Hosni Mubarak in February 2011. During this period, Egypt experienced tremendous political tumult, culminating in the one-year presidency of the Muslim Brotherhood's Muhammad Morsi. When Morsi took office on June 30, 2012, after winning Egypt's first truly competitive presidential election, his ascension to the presidency was supposed to mark the end of a rocky 16-month transition period. Proposed timelines for elections, the constitutional drafting process, and the military's relinquishing of power to a civilian government had been constantly changed, contested, and sometimes even overruled by the courts. Instead of consolidating democratic or civilian rule, Morsi's rule exposed the deep divisions in Egyptian politics, pitting a broad cross-section of Egypt's public and private sectors, the Coptic Church, and the military against the Brotherhood and its Islamist supporters.

The atmosphere of mutual distrust, political gridlock, and public dissatisfaction that permeated Morsi's presidency provided Egypt's military, led by then-Defense Minister Sisi, with an opportunity to reassert political control. On July 3, 2013, following several days of mass public demonstrations against Morsi's rule, the military unilaterally dissolved Morsi's government, suspended the constitution that had been passed during his rule, and installed an interim president. The Muslim Brotherhood and its supporters declared the military's actions a coup d'état and protested in the streets. Weeks later, Egypt's military and national police launched a violent crackdown against the Muslim Brotherhood, resulting in police and army soldiers firing live ammunition against demonstrators encamped in several public squares and the killing of at least 1,150 demonstrators. The Egyptian military justified these actions by decrying the encampments as a threat to national security.¹

Egypt Under Sisi: 2013 to 2019

Since taking power in 2013, President Abdel Fattah al Sisi's tenure has been predicated on the idea that a significant segment of the public, exhausted after several years of unrest and distrustful of Islamist rule, remains willing to forgo democratic liberties in exchange for the rule of a strongman hailing from the military. The authorities have maintained a constant crackdown against dissent, which initially was aimed at the Muslim Brotherhood but has evolved to encompass a broader range of political speech, encompassing anyone criticizing the government.

Egypt has experienced moderate macroeconomic growth under Sisi's rule, due largely to economic reforms under the International Monetary Fund's three-year, \$12 billion Extended Fund Facility; grants, loans, and investments from Gulf Arab states (Saudi Arabia, United Arab Emirates, and Kuwait); and the revitalization of the oil and natural gas sector. However, as the

¹ "Egyptian Cabinet Vows to Disperse Pro-Morsi Protest Camps," *The Guardian* (UK), July 31, 2013.

economy has grown as a whole, many individual Egyptians have seen their standards of living decline due to rising prices and IMF-driven subsidy cuts. One recent Egyptian government study noted that the country's overall poverty rate increased 5% in the last two to three years and now nearly one in three Egyptians live below the poverty line.²

In 2019, with many Arab governments facing youth-driven protests, the sustainability of the political quiescence that has prevailed in Egypt since 2013 may be in question. In September 2019, after a former Egyptian defense contractor posted a series of social media videos accusing President Sisi and his family of corruption (see **text box** below), several thousand Egyptians protested across several cities denouncing the Sisi-led government. Authorities responded with a new wave of arrests, and security forces deployed in urban areas across the country to deter additional protest. While these protests represented the first large-scale anti-government demonstrations in several years, polls indicate that many Egyptians, even with their economic concerns, continue to trust law enforcement and security sector institutions.³

Under presidents Sisi and Trump, the tone of U.S.-Egyptian relations has been cordial. The President and Secretary of State have each praised President Sisi for combatting terrorism, promoting women's rights, and advancing religious freedom.⁴ On the sidelines of the United Nations General Assembly in September 2019, President Trump responded to a question about the aforementioned protests in Egypt saying, "I'm not concerned with it. Egypt has a great leader. He is highly respected, he's brought order. Before he was here, there was very little order. There was chaos. And so I'm not worried about that."⁵ In Congress, some Members have criticized Egypt's poor record on human rights and appropriators have passed legislation (see "U.S.-Egyptian Relations") that withholds the obligation of Foreign Military Financing (FMF) to Egypt until the Secretary of State certifies that Egypt is taking various steps toward supporting democracy and human rights.

² "32.5 Percent of Egyptians Live Below Poverty Line: CAPMAS," *Al Ahram, Online*, July 30, 2019.

³ "Egypt: Key Findings on Public Opinion 2018-2019," *Arab Barometer*, September 10, 2019.

⁴ For example, see U.S. State Department, Secretary of State Michael R. Pompeo's Remarks to the Press at the New Administrative Capital, January 10, 2019.

⁵ "President Donald Trump and Egyptian President Abdel Fattah El-Sisi Hold Joint Media Availability before Meeting," Congressional Quarterly (CQ) Transcripts, September 23, 2019.

Figure 1. Map of Egypt

Source: Map Resources, adapted by CRS.

Domestic Developments

While successive Egyptian presidents since 1952 were effective at centralizing power, both within the ruling system and outside it, certain institutions (judiciary, military) and individuals enjoyed a considerable degree of independence from the executive. However, under President Sisi, there has been an unprecedented attempt to consolidate control over all branches of government while stymying opposition to his rule. In April 2019, voters approved amendments to the constitution that extend Sisi's current term until 2024 and permit him to run for a third term, potentially keeping him in office until 2030. The amendments also granted the president the authority to appoint all chief justices of Egyptian judicial bodies and the public prosecutor. During summer 2019, Sisi made those judicial appointments, leading one anonymous Egyptian judge to question this authority, saying that "The role of the judge is to be at arm's length from the executive, but this is inconsistent now with the fact the president of the republic is involved

with a judge's transfer, promotion and accountability."⁶ Sisi also has inserted his older brother and oldest son into key security and intelligence positions. President Sisi's son Mahmoud is deputy head of the General Intelligence Services (GIS).

Egypt's one-chamber parliament consists of several parties and has largely been supportive of the government's legislative agenda. One report suggests that the parliament is generally pliant to the presidency and that lawmakers who have opposed government initiatives have at times been subject to smear campaigns and intimidation.⁷

Parliamentary elections were last held in late 2015. New elections are anticipated in spring 2020 for the House/Chamber of Representatives (HOR—450 seats) and a to-be-resurrected upper chamber (Consultative Assembly—180 seats). The *Economist Intelligence Unit* expects that "parliament will remain subservient to the interests of Mr Sisi and to those of the military and other favoured institutions. The public is broadly aware that this will be the case, and turnout is likely to be low at both the municipal and parliamentary votes."⁸ In summer 2019, when a group of leftist and labor activist politicians attempted to form what they referred to as a "coalition of hope" to compete in the 2020 elections, the Interior Ministry arrested several of the coalition's members, charging them with attempting to bring down the state using entities connected to the Muslim Brotherhood.⁹

Figure 2. President Abdel Fattah al Sisi



Source: Egyptian State Information Service.

Social Media Videos Allege Corruption and Spark Protest

In 2019, 45-year-old Mohamed Ali, a former government defense contractor and actor now living in Spain, published a series of videos on social media in which he accused President Sisi and the Egyptian military of corruption. In his videos, Ali, who asserted that he was never fully compensated by the military for services rendered, alleged that the military spent millions of dollars constructing presidential palaces for Sisi and hotels for top ranking military officials that were either wasteful or never finished. Ali's videos circulated widely throughout Egypt, as his allegations broke taboos against speaking candidly about the role of the military in Egypt's economy. Such accounts of official corruption come at a time when many Egyptians have been experiencing higher prices on food and fuel due to inflation and IMF-mandated subsidy cuts. Ali admitted to his audience that he has been a willing participant in a corrupt system, saying "We are all corrupt, but we are not to blame. The system is to blame. He [Sisi] does not want to change the system. We need a new system."¹⁰ After Ali called for protests in September, several thousand Egyptians took to the streets across several cities, and authorities responded by imprisoning hundreds of demonstrators. Ali has vowed to continue to call for protests against Sisi, who in turn has argued that Ali is defaming the entire military and that any construction projects were built for the state. According to Sisi, "They say 'you're building palaces.' Yes, of course, I am.... I have built presidential palaces, and will build more, is it for me? ... I'll build and build and build, but I am not doing it for me.... it's in Egypt's name."¹¹

⁶ "Fears Over Egypt's Judiciary Abound After Sisi Appointments," *Agence France Presse*, August 21, 2019.

⁷ "How Egypt's President Tightened his Grip," *Reuters*, August 1, 2019.

⁸ "Election Preparations Get Under Way," *Economist Intelligence Unit*, October 23, 2019.

⁹ "Prosecution Takes Up Political Line in Interrogation of Several Coalition for Hope Defendants, Hands Down 15-day Detention Orders," *Mada Masr*, June 27, 2019.

¹⁰ "Who is Mohamed Ali? Meet the Tycoon-Turned-YouTube Star with Sisi in His Sights," *Middle East Eye*, September 20, 2019.

¹¹ "Egypt Is Done Waiting for Liberals," *Foreign Policy*, September 26, 2019.

Democracy, Human Rights, and Religious Freedom

President Sisi has come under repeated international criticism for an ongoing government crackdown against various forms of political dissent and freedom of expression. The Egyptian government rejects foreign criticism of its human rights practices as illegitimate interference in Egypt's domestic affairs.¹² Certain practices of Sisi's government, the parliament, and the security apparatus have been the subjects of U.S. criticism. According to the U.S. State Department's report on human rights conditions in Egypt in 2018

Human rights issues included unlawful or arbitrary killings by the government or its agents and terrorist groups; forced disappearances; torture; arbitrary detention; harsh and life-threatening prison conditions; arbitrary arrest and detention; political prisoners; arbitrary or unlawful interference with privacy; undue restrictions on free expression, the press, and the internet, including censorship, site blocking, and criminal libel; substantial interference with the rights of peaceful assembly and freedom of association, including government control over registration and financing of nongovernmental organizations (NGOs); restrictions on political participation; use of the law to arbitrarily arrest and prosecute lesbian, gay, bisexual, transgender, and intersex (LGBTI) persons; violence targeting LGBTI persons and members of other minority groups, and use of forced or compulsory child labor. The government inconsistently punished or prosecuted officials who committed abuses, whether in the security services or elsewhere in government. In most cases the government did not comprehensively investigate allegations of human rights abuses, including most incidents of violence by security forces, contributing to an environment of impunity.¹³

Authorities restrict access to the internet, censor online content, and monitor private online communications.¹⁴ In 2018, parliament passed amendments to the Media and Press Law that, among other things, grants the regulatory body known as the Supreme Media Council the authority to suspend a social media account that has 5,000 followers or more if it posts false news, promotes violence, or spreads hateful views.¹⁵ The Egyptian government also has attempted to require that technology companies share their user data with authorities.¹⁶ In October 2019, the Egyptian cabinet issued a resolution mandating, among other things, that ride-sharing companies such as Uber submit to the Ministry of Transportation six months' worth of customers' data from all rides.¹⁷

Select international human rights, democracy, and development monitoring organizations provide the following global rankings for Egypt.

¹² "Egypt calls on US not to interfere in its Affairs," *The Middle East Monitor*, March 15, 2019.

¹³ U.S. State Department, Bureau of Democracy, Human Rights and Labor, Country Reports on Human Rights Practices for 2018, Egypt.

¹⁴ See, "The Eye on the Nile," *Check Point Research*, October 3, 2019.

¹⁵ "Egypt: Parliament Passes Amendments to Media and Press Law," *Global Legal Monitor*, the Law Library, Library of Congress, August 6, 2018.

¹⁶ "Dilemma for Uber and Rival: Egypt's Demand for Data on Riders," *New York Times*, June 10, 2017.

¹⁷ "Egypt: Ministerial Resolution Issued to Regulate Activities of Ride-Sharing Companies," *Global Legal Monitor*, The Law Library, Library of Congress, October 22, 2019.

Table 1. Democracy, Human Rights, and Development Indicators

Issue	Index	Ranking
Democracy	Freedom House, Freedom in the World 2019	“Not Free”
Press Freedom	Reporters Without Borders, World Press Freedom Index 2019	163/180 Countries
Corruption	Transparency International, Corruption Perceptions Index 2018	105/180 Countries
Human Development	United Nations Human Development Programme, Human Development Index 2018	115/189 Countries

Source: Freedom House, Reporters Without Borders, Transparency International, and United Nations Human Development Programme.

Detention of American Citizens in Egypt

The detention of American citizens/dual nationals in Egypt has strained U.S.-Egyptian relations at times. In October 2019, Vice President Pence met with Egyptian Prime Minister Dr. Mostafa Madbouly, who committed to “advance discussions on several human rights cases of mutual concern, including Americans detained in Egypt.”¹⁸ Although some American citizens may be detained in Egypt on non-political charges (such as narcotics possession), notable detainee cases that may involve politically motivated charges include the following:

- **Mustafa Kassem.** Detained since June 2013, Kassem is an auto parts dealer from New York who was sentenced to 15 years in prison in a mass trial in September 2018 for his alleged support of the Muslim Brotherhood. Kassem is a diabetic with a heart condition, and his health condition has deteriorated while incarcerated.¹⁹ Kassem is a dual U.S. and Egyptian citizen.
- **Khaled Hassan.** Detained since January 2018, Hassan is a limousine driver from New York who has been accused of joining Sinai Province (IS-SP), an Islamic State affiliate group in Egypt. Human rights organizations alleged that Hassan has been tortured while in prison.²⁰ Hassan is a dual U.S. and Egyptian citizen.
- **Reem Mohamed Desouky.** Detained since July 2019, Desouky is a teacher from Pennsylvania who was arrested at the Cairo airport on charges of improper use of social media. Desouky is a dual U.S. and Egyptian citizen.

Coptic Christians

For years, the minority Coptic Christian community in Egypt has called for equal treatment under the law. Since taking office, President Sisi has publicly called for greater Muslim-Christian coexistence and national unity. In January 2019, he inaugurated Egypt’s Coptic Cathedral of

¹⁸ The White House, Readout of Vice President Mike Pence’s Meeting with the Prime Minister of the Arab Republic of Egypt, October 15, 2019.

¹⁹ The Working Group on Egypt (a bipartisan group of foreign policy experts formed in 2010), The Working Group on Egypt’s Letter to Secretary of State Pompeo, June 20, 2019.

²⁰ “Jailed in Egypt, American Limo Driver Attempts Suicide,” *Washington Post*, August 9, 2019.

Nativity in the new administrative capital east of Cairo saying, “This is an important moment in our history. ... We are one and we will remain one.”²¹

Despite these public calls for improved interfaith relations in Egypt, the minority Coptic Christian community continues to face professional and social discrimination, along with occasional sectarian attacks. According to the latest U.S. State Department report on religious freedom in Egypt, “Christians remained underrepresented in the military and security services. Christians admitted at the entry-level of government institutions were rarely promoted to the upper ranks of government entities.”²²

Coptic Christians also have long voiced concern about state regulation of church construction. They have demanded that the government reform long-standing laws (with two dating to 1856 and 1934, respectively) on building codes for Christian places of worship. Article 235 of Egypt’s 2014 constitution mandates that parliament reform these building code regulations. In 2016, parliament approved a church construction law (Law 80 of 2016) that expedited the government approval process for the construction and restoration of Coptic churches, among other structures.

Although Coptic Pope Tawadros II welcomed the law,²³ others claim that it continues to be discriminatory. According to *Human Rights Watch*, “the new law allows governors to deny church-building permits with no stated way to appeal, requires that churches be built ‘commensurate with’ the number of Christians in the area, and contains security provisions that risk subjecting decisions on whether to allow church construction to the whims of violent mobs.”²⁴

The Economy

Macroeconomic Improvement, Microeconomic Pressures

For 2019, the IMF projects 5.5% GDP growth for the Egyptian economy. In 2016, the IMF and Egypt reached a three-year, \$12 billion loan agreement predicated on Egypt undertaking key reforms such as depreciating the currency, reducing public subsidies, and increasing taxes. According to the IMF fifth and final review of Egypt’s economic reform program, “The macroeconomic situation has improved markedly since 2016, supported by the authorities’ strong ownership of their reform program and decisive upfront policy actions. ... The outlook remains favorable and provides an opportune juncture to further advance structural reforms to support more inclusive private-sector led growth and job creation. ... Sustained implementation will be essential to ensure that statutory changes achieve meaningful results in the business climate.”²⁵

Overall, macroeconomic trends appear to be moving in a positive direction. Key sources of foreign exchange (tourism and remittances)²⁶ are up and unemployment is at its lowest level since

²¹ “Egypt’s Sisi Opens Mega-Mosque and Middle East’s Largest Cathedral in New Capital,” *Reuters*, January 6, 2019.

²² U.S. State Department, 2018 Report on International Religious Freedom: Egypt.

²³ “HH Pope Tawadros II: Church Construction Law Corrected an Error and Bandaged Wounds,” Coptic Orthodox Cultural Center, September 1, 2016.

²⁴ “Egypt: New Church Law Discriminates Against Christians,” *Human Rights Watch*, September 15, 2016.

²⁵ International Monetary Fund, Egypt-IMF Executive Board Completes Fifth Review under the Arrangement under Extended Fund Facility (EFF), July 24, 2019.

²⁶ In 2018, Egypt received \$25 billion of foreign exchange inflows from remittances abroad, by far the largest such figure in the Middle East. See, “Migration and Remittances, Recent Developments and Outlook,” World Bank Group, December 2018.

2011. Inflation, which had been in double digits between 2016 and 2018, has fallen to 5% from 7% in late 2019.

Despite Egypt's positive macroeconomic outlook, significant challenges remain. According to the *Economist Intelligence Unit*, "private consumption has remained weak.... This lag between the overall performance of the economy and the main indicator of household expenditure over the past few years has been reflected in the increase in the poverty rate to 32.5%."²⁷ In addition, while the fiscal deficit may be decreasing, Egypt's overall public and foreign debt have grown significantly in recent years and remain high, leading the government to allocate resources ((\$13 billion per year—nearly 36% of Egypt's budget) toward debt-service payments and away from spending on health and education. According to the latest figures available, Egypt's external debt stands at \$108.7 billion. Its gross domestic debt stands at \$260 billion or 79% of GDP.²⁸

Energy Sector Increasingly Contributes to Growth

Egypt's energy sector also is contributing to the economy's rebound. Egypt is the largest oil producer in Africa outside of the Organization of the Petroleum Exporting Countries (OPEC) and the third-largest natural gas producer on the continent following Algeria and Nigeria.²⁹ In December 2017, an Egyptian and Italian partnership began commercial output from the Zohr natural gas field (est. 30 trillion cubic feet of gas), the largest-ever natural gas field discovered in the Mediterranean Sea.

Egypt is attempting to position itself as a regional gas hub, whereby its own gas fields meet domestic demand while imported gas from Israel and Cyprus can be liquefied in Egypt and reexported.³⁰ Egypt has the eastern Mediterranean's only two large-scale liquefied natural gas terminals (located at Idku and Damietta), operating as partnerships between the state and foreign companies such as ENI and Royal Dutch Shell.

Israeli and Egyptian companies have bought significant shares of an unused undersea pipeline connecting Israel to the northern Sinai Peninsula (see **Figure 3**). The pipeline is to be used to transport natural gas from Israel to Egypt for possible reexport, as part of an earlier 10-year, \$15 billion gas deal between the U.S.-based company Noble Energy, its Israeli partner Delek, and the Egyptian company Dolphinus Holdings. In January 2019, Egypt convened the first ever Eastern Mediterranean Gas Forum (EMGF), a regional consortium consisting of Egypt, Israel, Jordan, the Palestinian Authority, Cyprus, Greece, and Italy, intended to consolidate regional energy policies and reduce costs.³¹ Egypt held a second EMGF in July 2019.

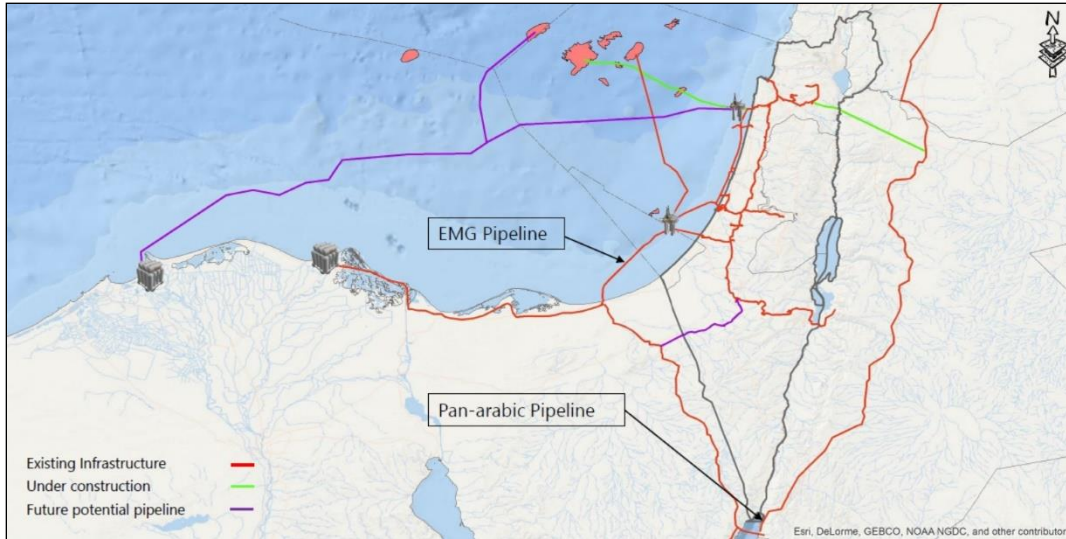
²⁷ "Growth Reaches 5.7% in Q4 2018/19," *Economist Intelligence Unit*, November 4, 2019.

²⁸ "Egypt's External Debt Climbs 17.3% in Year to June—C.Bank," *Reuters*, October 30, 2019.

²⁹ U.S. Department of Energy, Energy Information Administration, Country Report: EGYPT, May 24, 2018.

³⁰ "Egypt Says U.S. Oil Firms Showing Appetite for Offshore Projects," *Reuters*, November 24, 2018.

³¹ "Natural Gas Fields Give Israel a Regional Political Boost," *Associated Press*, January 23, 2019.

Figure 3. Natural Gas Pipelines in Egypt, Israel, and the Eastern Mediterranean

Source: Delek.

Notes: In 2018, shares in the EMG pipeline were purchased by the U.S.-based company Noble Energy, its Israeli partner Delek, and the Egyptian company Dolphinus Holdings, which will allow Israeli natural gas to be exported to Egypt.

Many experts argue that to sustain growth over the long term, Egypt requires dramatic expansion of the nonhydrocarbon private sector.³² For decades, Egypt's military has played a key role in the nation's economy as a food producer and low-cost domestic manufacturer of consumable products; however, due to political sensitivities, the extent of its economic power is rarely quantified. Egypt's military is largely economically self-sufficient. It produces what it consumes (food and clothes) and then sells surplus goods for additional revenue. Egyptian military companies have been the main beneficiaries of the massive infrastructure contracts President Sisi has commissioned.³³ Moreover, military-owned manufacturing companies have expanded into new markets, producing goods (appliances, solar panels, some electronics, and some medical equipment) that are cheaper than either foreign imports or domestically produced goods made by the private sector.

Rising Sea Levels and the Nile Delta

Low-lying deltas like Egypt's Nile Delta and other parts of Egypt's coast are susceptible to sea-level rise. Higher sea levels can result in more frequent flooding from high tides and extreme rainfall, greater impacts from coastal storms, damage to coastal fresh groundwater, changes to coastal habitats for fish and other species, and land lost to coastal erosion and inundation.³⁴ The Nile Delta is Egypt's most important agricultural region and home to significant population and economic centers such as Alexandria and Port Said. Scientists have warned that the Nile Delta's flood risk may increase in the years ahead due to a combination of factors.³⁵ These include rising sea levels,

³² "Egypt: Time to Entrench Growth and Make it More Inclusive," International Monetary Fund, January 23, 2018.

³³ "Egypt's Economy Falls to the Military," *Wall Street Journal*, May 22, 2018.

³⁴ For more information on how sea levels may effect coasts, see CRS Report R44632, *Sea-Level Rise and U.S. Coasts: Science and Policy Considerations*, by Peter Folger and Nicole T. Carter. Higher sea levels can impair drainage of runoff from rainfall events.

³⁵ Mohamed Shaltout, Kareem Tonbol, and Anders Omstedt, "Sea-Level Change and Projected Future Flooding Along the Egyptian Mediterranean Coast," *Oceanologia*, vol. 57, no. 4 (2015); *IPCC, IPCC Special Report on the Ocean and Cryosphere in a Changing Climate*, in press, September 24, 2019, p. 4-61.

which generally are anticipated to increase in the coming decades with warming temperatures, and local conditions contributing to land subsidence and loss, such as upstream dams capturing sediments needed for maintaining the delta and land subsidence from groundwater, oil, and gas extraction.³⁶ According to the Intergovernmental Panel on Climate Change (IPCC), “The low-lying northern coast and Nile Delta region are a high priority for adaptation to climate change.”³⁷

Terrorism and Islamist Militancy in Egypt

President Sisi came to power promising not only to defeat violent Salafi-Jihadi terrorist groups militarily, but also to counter their foundational ideology, which President Sisi and his supporters often attribute to the Muslim Brotherhood.³⁸ President Sisi has outlawed the Muslim Brotherhood while launching a more general crackdown against a broad spectrum of opponents, both secular and Islamist. Egypt continues to face periodic terrorist and insurgent violence, both in the Sinai Peninsula and in the rest of Egypt.

Sinai Peninsula

Terrorists based in the Sinai Peninsula (the Sinai) have been waging an insurgency against the Egyptian government since 2011. While the terrorist landscape in Egypt is evolving and encompasses several groups, the Islamic State’s Sinai Province affiliate (IS-SP) is known as the most lethal.³⁹ Since its affiliation with the Islamic State in 2014, IS-SP has attacked the Egyptian military continually, targeted Coptic Christian individuals and places of worship,⁴⁰ and occasionally fired rockets into Israel. In October 2015, IS-SP targeted Russian tourists departing the Sinai by planting a bomb aboard Metrojet Flight 9268, which exploded midair, killing all 224 passengers and crew aboard. Two years later, on November 24, 2017, IS-SP gunmen launched an attack against the Al Rawdah mosque in the town of Bir al Abed in northern Sinai. That attack killed at least 305 people, making it the deadliest terrorist attack in Egypt’s modern history.⁴¹

³⁶ Esayas Gebremichael et al., “Assessing Land Deformation and Sea Encroachment in the Nile Delta: A Radar Interferometric and Inundation Modeling Approach,” *JGR Solid Earth*, vol. 123, no. 4 (April 2, 2018).

³⁷ IPCC, *IPCC Special Report on the Ocean and Cryosphere in a Changing Climate*, in press, September 24, 2019, p. 4-61.

³⁸ “Egypt’s Sisi Turns Islam on the Islamists,” *Reuters*, May 9, 2014.

³⁹ This group was formerly known as *Ansar Bayt al Maqdis* (Supporters of the Holy House or Partisans of Jerusalem). It emerged after the Egyptian revolution of 2011 and affiliated with the Islamic State in 2014. Estimates of its numerical composition range from 500 to 1,000. In Arabic, it is known as *Wilayat Sinai* (Sinai Province). Also referred to as ISIS-Sinai, ISIS-Egypt, and the Islamic State in the Sinai.

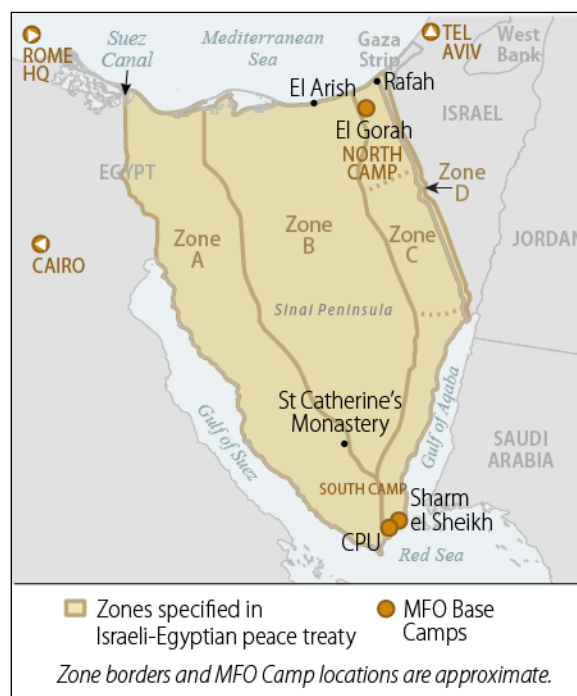
⁴⁰ In November 2018, IS-SP claimed responsibility for an attack against Coptic Christian pilgrims traveling to the monastery of Saint Samuel the Confessor 85-miles south of Cairo in the western desert.

⁴¹ See also archived CRS Insight IN10827, *Egypt: Terrorist Attack in the Sinai Peninsula*, by Jeremy M. Sharp.

Combating terrorism in the Sinai is particularly challenging due to an array of factors, including the following:

- **Geography.** The peninsula's interior is mountainous and sparsely populated, providing militants with ample freedom of movement.
- **Demography and Culture.** The Sinai's northern population is mostly composed of Palestinians and Bedouin Arab tribes whose relationship to the state is characterized by distrust. Sinai Bedouin have faced discrimination, including exclusion from full citizenship and access to the economy. In the absence of development, a black market economy based primarily on smuggling has thrived, further contributing to the popular portrayal of Bedouin as outlaws. State authorities charge that the Sinai Bedouin seek autonomy from the central government, while residents insist on obtaining basic rights, such as property rights, full citizenship, and access to government services such as education and health care.⁴²
- **Economics.** Bedouins claim that Egypt has underinvested in northern Sinai, channeling development toward southern tourist destinations that cater to foreign visitors.⁴³ Northern Sinai consists of mostly flat desert terrain inhospitable to large-scale agriculture without significant investment in irrigation. Recently, however, the government and donor states have attempted to revitalize northern Sinai. Egypt is constructing four new vehicle tunnels under the Suez Canal that will dramatically cut travel time from the mainland to the Peninsula. The Kuwait Fund for Arab Economic Development (KFAED) also has pledged to fund irrigation projects in northern Sinai.
- **Diplomacy.** The 1979 Israeli-Egyptian peace treaty limits the number of soldiers that Egypt can deploy in the Sinai, subject to the parties' negotiation of changes to address particular circumstances. Egypt and Israel agree upon any short-term increase of Egypt's military presence in the Sinai and to the construction of military and/or dual-use infrastructure. Since Israel returned control over the Sinai to Egypt in 1982, the area has been partially demilitarized, and the Sinai has served as an effective buffer zone between the two countries. The

Figure 4. The Sinai Peninsula



Source: <http://www.mfo.org>.

⁴² See Mohannad Sabry, *Egypt's Linchpin, Gaza's Lifeline, Israel's Nightmare*, The American University in Cairo Press; first edition, November 30, 2015.

⁴³ "Sinai Bedouin 'Left Out of region's Economic Development,'" *BBC News*, November 12, 2012.

Multinational Force and Observers, or MFO, are deployed in the Sinai to monitor the terms of the Israeli-Egyptian peace treaty (see **Figure 4**).

Egypt and Israel reportedly continue to cooperate in countering terrorism in the Sinai. In a televised interview, President Sisi responded to a question on whether Egyptian-Israeli military cooperation was the closest it has ever been, saying “That is correct. The [Egyptian] Air Force sometimes needs to cross to the Israeli side. And that’s why we have a wide range of coordination with the Israelis.”⁴⁴ One news account suggested that, as of February 2018, Israel, with Egypt’s approval, had used its own drones, helicopters, and aircraft to carry out more than 100 covert airstrikes inside Egypt against militant targets.⁴⁵

To counter IS-SP in northern Sinai, the Egyptian armed forces and police have declared a state of emergency, imposed curfews and travel restrictions, and erected police checkpoints along main roads. Authorities also have limited domestic and foreign media access to the northern Sinai, declaring it an active combat zone and unsafe for journalists.⁴⁶

While an increased Egyptian military presence in the Sinai may be necessary to stabilize the area, many observers have argued that military means alone are insufficient.⁴⁷ Critics say that force should be accompanied by policies to reduce the appeal of antigovernment militancy by addressing local political and economic grievances. In May 2019, Human Rights Watch issued a report documenting how security forces in the Sinai have committed human rights abuses, such as arbitrary arrests, enforced disappearances, torture, and extrajudicial killings.⁴⁸ A month later, during his nomination hearing before the Senate, Ambassador-designate to Egypt Jonathan Cohen remarked that “The United States should have greater insight into the Sinai Peninsula to verify that U.S. provided weapons [are] being used appropriately. If confirmed, I will request additional travel for U.S. officials into the Sinai as security conditions permit. I’ll also urge Egypt grant journalists more access to the Sinai.”⁴⁹

Egyptian counterterrorism efforts in the Sinai appear to have reduced the frequency of terrorist attacks somewhat. In March 2019, then-CENTCOM Commander General Joseph L. Votel testified before Congress, stating that the “Egyptian Armed Forces have more effectively fought ISIS in the Sinai and are now taking active measures to address the underlying issues that give life to—to these violent extremist groups and are helping to contain the threat.”⁵⁰

⁴⁴ “Egypt’s President El-Sisi Denies Ordering Massacre in Interview his Government Later Tried to Block,” *60 Minutes*, January 6, 2019.

⁴⁵ “Secret Alliance: Israel Carries Out Airstrikes in Egypt, with Cairo’s O.K.,” *New York Times*, February 3, 2018.

⁴⁶ “Egypt’s Long, Bloody Fight against the Islamic State in Sinai is Going Nowhere,” *Washington Post*, September 15, 2017.

⁴⁷ Human rights organizations have repeatedly accused the military and police of harming unarmed civilians during military operations in the Sinai. In April 2017, Human Rights Watch released a report claiming that video footage aired by a Muslim Brotherhood-aligned channel in Turkey depicted the extrajudicial killing of unarmed detainees by Egyptian soldiers. See “Egypt: Videos Show Army Executions in Sinai,” *Human Rights Watch*, April 21, 2017.

⁴⁸ “If You Are Afraid for Your Lives, Leave Sinai!” *Human Rights Watch*, May 28, 2019.

⁴⁹ Senate Foreign Relations Committee Holds Hearing on Pending Nominations, CQ Congressional Transcripts, June 20, 2019.

⁵⁰ House Armed Services Committee, Hearing entitled, National Security Challenges and U.S. Military Activities in the Greater Middle East and Africa, Testimony of General Joseph Votel, March 7, 2019.

Beyond the Sinai: Other Egyptian Insurgent Groups

Outside of the Sinai, either in the western desert near the Libya border or other areas (Cairo, Nile Delta, Upper Egypt), small nationalist insurgent groups, such as *Liwa al Thawra* (The Revolution Brigade) and *Harakat Sawaed Misr* (Arms of Egypt Movement, referred to by its Arabic acronym HASM), have carried out high-level assassinations of military/police officials and bombings of infrastructure. According to one expert, these insurgent groups are composed mainly of former Muslim Brotherhood activists who have splintered off from the main organization to wage an insurgency against the government.⁵¹

On January 31, 2018, the U.S. State Department designated *Liwa al Thawra* and HASM as Specially Designated Global Terrorists (SDGTs) under Section 1(b) of Executive Order (E.O.) 13224.⁵² The State Department noted that some leaders of both groups “were previously associated with the Egyptian Muslim Brotherhood.”

Terrorist attacks continue, hurting key sectors of the economy. In December 2018, a bus carrying a group of Vietnamese tourists to the pyramids in Giza hit a roadside bomb killing 4 people and injuring 11 others. In February 2019, a terrorist detonated a suicide bomb he was carrying while being pursued by police, killing himself and two officers near Cairo’s popular Khan el Khalili market and famous Al Azhar Mosque. In August 2019, a vehicle containing explosives detonated outside of Egypt’s National Cancer Institute in Cairo killing 20 people.

Egypt’s Foreign Policy

Israel and the Palestinians

Egypt’s 1979 peace treaty with Israel remains one of the single most significant diplomatic achievements for the promotion of Arab-Israeli peace. While people-to-people relations remain cold, Egypt and Israel have continued to find specific areas in which they can cooperate. In 2018, Israeli and Egyptian companies entered into a decade-long agreement by reaching a \$15 billion natural gas deal, according to which Israeli off-shore natural gas will be exported to Egypt for liquefaction before being exported elsewhere (see “The Economy” above).

⁵¹ Mokhtar Awad, *A Challenging State, Emerging Armed Groups in Egypt*, Briefing Paper Small Arms Survey and Security Assessment in North Africa, July 2017.

⁵² U.S. State Department, Office of the Spokesperson State Department Terrorist Designations of Ismail Haniyeh, Harakat al-Sabireen, Liwa al-Thawra, and Harakat Sawa'd Misr (HASM), Media Note, Washington, DC, January 31, 2018.

Figure 5. Israel Participate in Egypt-led Gas Forum

Source: Egypt's Ministry of Petroleum.

Note: Photo also features U.S. Secretary of Energy Rick Perry (second from left).

Israel and Egypt cooperate against Hamas in the Gaza Strip, as they have since 2013. Egypt is opposed to Islamist groups wielding political power across the Middle East, and opposes Turkish and Qatari support for Hamas.⁵³ On the Egyptian-Gaza border, Egypt has tried to thwart arms tunnel smuggling into Gaza and has accused Palestinian militants in Gaza of aiding terrorist groups in the Sinai. To weaken Hamas's rule in Gaza, Egypt has sought to restore a Palestinian Authority (PA) presence in Gaza by reconciling Hamas with the PA.⁵⁴ Though Egypt has helped broker several agreements aimed at ending the West Bank-Gaza split, Hamas still effectively controls Gaza.

Egypt controls the Rafah border crossing into Gaza, the only non-Israeli-controlled passenger entryway into the Strip, which it periodically closes for security reasons. Control over the Rafah border crossing provides Egypt with some leverage over Hamas, though Egyptian authorities appear to use it carefully in order not to spark a humanitarian crisis on their border.⁵⁵ Egypt also controls the Salah al Din Gate, a previously used crossing north of Rafah that opened for commercial use in 2018. According to one report, both Hamas and Egypt tax imported goods moving into Gaza through the gate, earning Hamas tens of millions of dollars per year in revenue.⁵⁶

Overall, the Egyptian-Hamas relationship has provided the Egyptian security and intelligence services an opportunity to play the role of mediator between Israel and Hamas. Reportedly, Egypt has been brokering efforts toward a long-term Israel-Hamas truce.⁵⁷

⁵³ "How Israel and Egypt are Coordinating on Gaza," *Al Monitor*, July 12, 2018.

⁵⁴ "Mahmoud Abbas in Egypt 'To Discuss Hamas-Fatah Reconciliation,'" *Al Jazeera*, November 3, 2018.

⁵⁵ "For Hamas, Reconciliation with Egypt Worth More than Qatari Cash," *Al Monitor*, January 31, 2019.

⁵⁶ "New Gaza Crossing Raises Questions about Blockade Policies," *PolicyWatch*, number 3205, The Washington Institute for Near East Policy, October 23, 2019.

⁵⁷ "Egypt Trying to Broker Broad Israel-Hamas Truce, Hamas Says," *Associated Press*, August 2, 2018.

As the Trump Administration discussed its plans to facilitate Israeli-Palestinian peace, Egypt publicly reaffirmed its support for the Palestinian national cause while also participating in U.S.-led conferences, such as the June 2019 Peace to Prosperity Workshop in Bahrain. Overall, Egypt continues to support the creation of an independent Palestinian state with East Jerusalem as its capital. In November 2019, after Secretary of State Pompeo remarked “the establishment of Israeli civilian settlements in the West Bank is not per se inconsistent with international law,” Egypt’s foreign ministry reiterated that Egypt views “the status of Israeli settlements in the occupied West Bank as illegal and inconsistent with international law.”⁵⁸

Gulf Arab Monarchies

Egypt’s relations with most Gulf Arab monarchies appear strong. Saudi Arabia, the United Arab Emirates (UAE), and Kuwait have provided billions of dollars in financial assistance to Egypt’s military-backed government since 2013. Saudi Arabia also hosts nearly 3 million Egyptian expatriates who work in the kingdom, providing a valuable source of remittances for Egyptians back home, although Saudi efforts to employ more Saudi nationals may reduce opportunities for Egyptians over time.⁵⁹ From 2013 onward, Emirati companies have made significant investments in the Egyptian economy.⁶⁰ In 2017, Egypt transferred sovereignty to Saudi Arabia over two islands at the entrance to the Gulf of Aqaba—Tiran and Sanafir—that had been under Egyptian control since 1950, in a move that sparked rare public criticism of President Sisi.⁶¹ Also in 2017, Egypt joined other Gulf Arab monarchies in boycotting Qatar. In Yemen, Egypt is officially part of the Saudi-led coalition against Houthi forces, though its contribution to the war effort has been minimal.

Libya

The Egyptian government supports Field Marshal Khalifa Haftar and the Libyan National Army (LNA) movement, which controls most of eastern Libya. Haftar’s politics closely align with President Sisi’s, as both figures hail from the military and broadly oppose Islamist political forces. From a security standpoint, Egypt seeks the restoration of order on its western border, which has experienced occasional terrorist attacks and arms smuggling. From an economic standpoint, thousands of Egyptian guest workers were employed in Libya’s energy sector prior to unrest in Libya in 2011, and Egypt seeks their return to Libya and a resumption of the vital remittances that those workers provided the Egyptian economy. In 2014, Egypt donated used combat aircraft (MiG-21s) and helicopters from its own air force to the LNA.⁶²

Diplomatically, Egypt has tried to leverage its close ties to Haftar and the LNA in order to play the role of mediator between the LNA and Fayeze al Sarraj, the Chairman of the Presidential Council of Libya and Prime Minister of the U.N.-backed Government of National Accord.⁶³ Egypt’s policy toward Libya also is closely aligned with other foreign backers of the LNA,

⁵⁸ “Egypt Reaffirms that Israeli Settlements in West Bank are ‘Illegal,’” *Al Ahram Online*, November 19, 2019.

⁵⁹ “Egypt Feels the Pain from Saudi Arabia’s Reforms,” *Bloomberg*, September 18, 2018.

⁶⁰ Emirati companies which have invested in various sectors of the Egyptian economy include real estate/tourism (Emaar Properties), financial (Emirates NBD, the National Bank of Abu Dhabi, Abu Dhabi Islamic Bank, Union National Bank, and Mashreq), oil and gas (Mubadala Petroleum), and shipping (Dubai Ports).

⁶¹ “Opposition Grows to Egypt’s Plan to Cede Islands to Saudi Arabia,” *Reuters*, June 15, 2017.

⁶² “The Rise of Libya’s Renegade General: How Haftar built his War Machine,” *Middle East Eye*, May 14, 2019.

⁶³ “Haftar and Sarraj in Cairo: The Details of Egypt’s Partially Successful Libyan Summit,” *Mada Masr*, February 25, 2017.

including France and the United Arab Emirates (UAE). Reportedly, the three countries are working in concert to strengthen the position of Haftar in order to facilitate the eventual reunification of the Libyan army.⁶⁴

On April 4, 2019, Haftar ordered forces loyal to him to begin a unilateral military operation to secure the Libyan capital, Tripoli. Ten days later, Haftar traveled to Egypt for a meeting with President Sisi, who released a statement confirming “Egypt’s support for efforts to combat terrorism and extremist groups and militias in order to achieve security and stability for the Libyan citizen.”⁶⁵ Haftar and Sisi have met subsequently. At the U.N. General Assembly in September 2019, President Sisi said that Libya needed to be protected against infiltration from external actors meddling in its internal affairs, a veiled reference to Turkish and Qatari support for the Government of National Accord and, reportedly, to Islamist militias at war with the LNA.⁶⁶

The Nile Basin Countries

Egypt relies on the Nile River for hydroelectricity, agriculture, and perhaps as much as 90% of its domestic water needs, and thus treats restrictions to the flow of the Nile from upstream countries as an existential issue. The government is embroiled in regional disputes with Nile Basin countries to Egypt’s south, such as Ethiopia, which is nearing completion of the \$4.2 billion Grand Ethiopian Renaissance Dam (GERD), a major hydroelectric project. Egypt argues⁶⁷ that the dam, once filled, will limit the flow of the Nile River below Egypt’s share, as agreed upon in a 1959 deal with Sudan (of which Ethiopia was not part).⁶⁸

Figure 6. GERD Talks in Washington



Source: U.S. Department of the Treasury.

After years of failed talks, Egypt, Ethiopia, and Sudan continue to disagree over how long Ethiopia should take to fill the dam, as well as how much water should be released from the GERD on an annual basis.⁶⁹ Reduced Nile flow through Sudan into Egypt may exacerbate existing water shortages in both countries and cause short-term political problems for the Egyptian government, given its extensive unmet domestic water needs.

To break the deadlock over Nile water-sharing, Egypt has repeatedly sought third-party mediation, particularly from the United States. On November 6, 2019, the U.S. Treasury

⁶⁴ See “France Aims to Back Haftar’s Offensive,” *Maghreb Confidential*, January 24, 2019, and “Why France is Training Oussama Al Jouili’s Troops,” *Maghreb Confidential*, January 10, 2019.

⁶⁵ “Egypt’s President Meets Libyan Commander Haftar in Cairo,” *Reuters*, April 14, 2019.

⁶⁶ “Egypt’s Sisi Says Need to Stop External Actors Interfering in Libya,” *Reuters*, September 24, 2019.

⁶⁷ “Egypt Denounces Ethiopia for Moving Ahead with Nile Dam Amid Water: Shortage Fears,” *Reuters*, October 3, 2019.

⁶⁸ International agreements on apportioning the flow of the Nile River date back to the British colonial period when some Nile riparian countries were not parties themselves to the agreements. The last major agreement, the 1959 Nile Waters Agreement between Egypt and Sudan, divided the entire average annual flow of the Nile between Egypt and Sudan. Ethiopia was not part of this agreement.

⁶⁹ See “Calming the Choppy Nile Dam Talks,” *International Crisis Group*, October 23, 2019.

Department hosted ministers from Egypt, Ethiopia, and Sudan for talks on the GERD just weeks after the issue was discussed on the sidelines of the Russia-Africa summit in Sochi, Russia. In a joint statement, all sides agreed that water ministers will continue to hold technical meetings on the GERD—with the United States and World Bank serving as observers—with the goal of reaching an agreement by January 15, 2020.⁷⁰

Russia

Egypt and Russia, close allies in early years of the Cold War, have again strengthened bilateral ties under President Sisi, whose relationship with Russian President Vladimir Putin has rekindled, in the words of one observer, “a romanticized memory of relations with Russia during the Nasser era.”⁷¹ President Sisi first turned back toward Russia during the Obama Administration, when U.S.-Egyptian ties were strained.⁷²

Since 2014, Egypt and Russia have improved ties in a number of ways, including through arms deals. Reportedly, Egypt is upgrading its aging fleet of legacy Soviet MiG-21 aircraft to a fourth generation MiG-29M variant.⁷³ Egypt also has purchased 46 standard Ka-52 Russian attack helicopters for its air force, in addition to reportedly purchasing the naval version of the Ka-52 for use on Egypt’s two French-procured Mistral-class helicopter dock vessels (see “**France**” below). Egypt has further purchased the S-300VM surface-to-air missile defense system from Russia.⁷⁴

Additionally, Egypt and Russia reportedly have expanded their cooperation on nuclear energy. In 2015, Egypt reached a deal with Russian state energy firm Rosatom to construct a 4,800-megawatt nuclear power plant in the Egyptian Mediterranean coastal town of Daba’a, 80 miles northwest of Cairo. Russia is lending Egypt \$25 billion over 35 years to finance the construction and operation of the nuclear power plant (this is to cover 85% of the project’s total costs). The contract also commits Russia to supply the plant’s nuclear fuel for 60 years and transfer and store depleted nuclear fuel from the reactors.

As Egyptian and Russian foreign policies have become more closely aligned in conflict zones such as eastern Libya, bilateral military cooperation has expanded. One report suggested that Russian Special Forces based out of an airbase in Egypt’s western desert (Sidi Barrani) may be aiding General Haftar.⁷⁵ In November 2017, Egypt and Russia signed a draft agreement governing the use of each other’s air space.⁷⁶

While Egyptian-Russian ties have grown warmer in recent years, they are not without complications. In the aftermath of an October 2015 terrorist attack against a Russian passenger jet

⁷⁰ U.S. Department of the Treasury, Joint Statement of Egypt, Ethiopia, Sudan, the United States, and the World Bank, November 6, 2019.

⁷¹ “The United States and the Future of Egyptian-Russian Relations,” *The Caravan*, Hoover Institution, March 9, 2017.

⁷² According to *Jane’s*, “The two-year U.S. suspension of delivery of US F-16C/Ds in the wake of the Arab Spring reinforced the notion that Egypt should maintain a diverse defense supply base to avoid being hamstrung by politically driven interruption of its defense supply chain.” See, “Analysis: Egyptian Air Force Modernization,” *Jane’s International Defence Review*, November 10, 2016.

⁷³ See, *Jane’s Sentinel Security Assessment*, Air Force- Egypt, August 7, 2018.

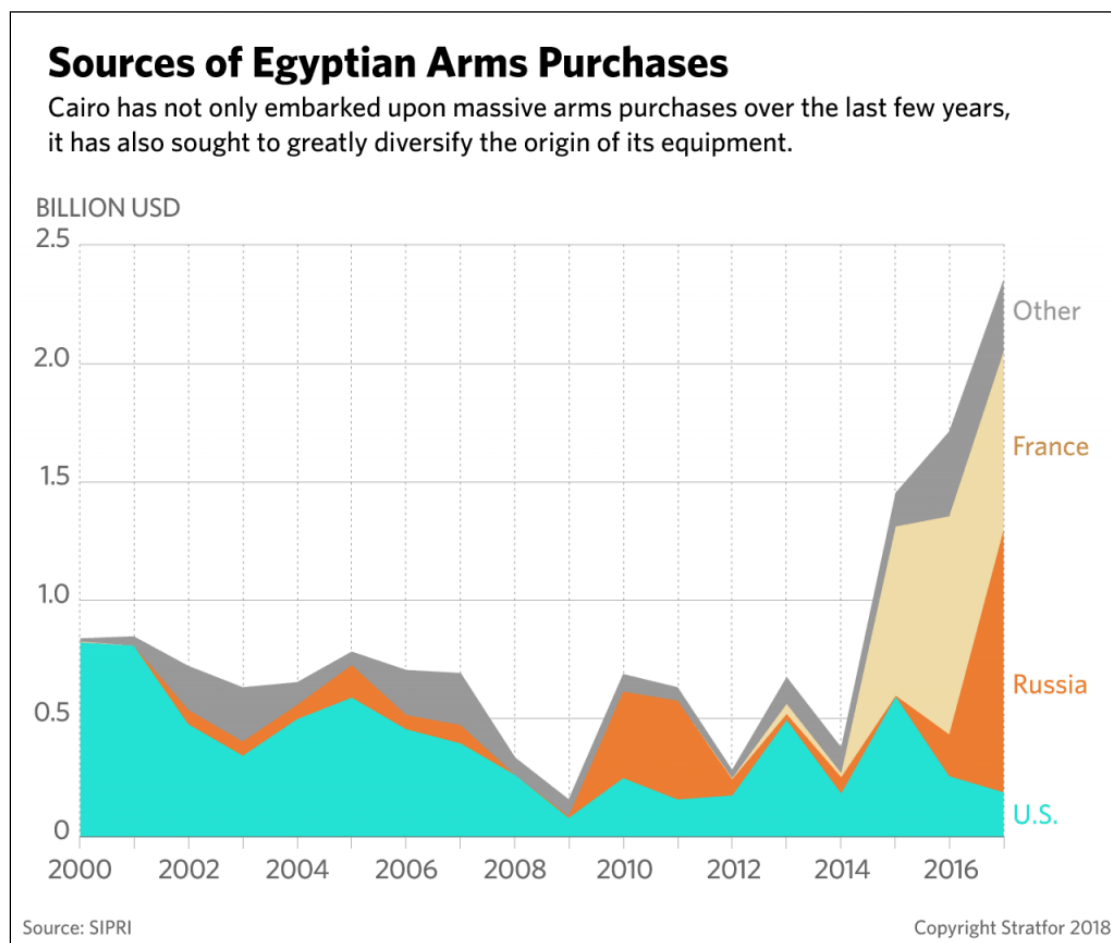
⁷⁴ “Egyptian S-300VM SAM Delivery Confirmed,” *Jane’s Defence Weekly*, June 6, 2017.

⁷⁵ “Russia Appears to Deploy Forces in Egypt, Eyes on Libya Role – Sources,” *Reuters*, March 14, 2017.

⁷⁶ According to one report, “Russian and Egyptian war planes would be able to use each other’s air space and airfields by giving five days advance notice, according to the draft agreement, which is expected to be valid for five years and could be extended.” See “Russian Military Working on Deal to use Egyptian Air Bases: Document,” *Reuters*, November 30, 2017.

departing from Sharm El Sheikh, visits to Egypt by Russian tourists, previously the country's largest source of tourists, dropped significantly.⁷⁷ Russian commercial aircraft have resumed direct flights to Cairo but not to Sharm El Sheikh. Egypt and Russia also engaged in a trade dispute in 2016 over Russian wheat imports. Egypt is the largest global importer of wheat, and the largest export market for Russian wheat.

Figure 7. Growing Russian and French Arms Sales to Egypt



Source: Stratfor, using Stockholm International Peace Research Institute (SIPRI) Arms Transfer Database data.

France

Aside from Russia, France stands out as a non-U.S. country with which President Sisi has sought to build a diplomatic and military procurement relationship. In the last five years, as French-Egyptian ties have improved, Egypt has purchased major air and naval defense systems from French defense contractors, including the following:

⁷⁷ Before 2015, Russian visitors accounted for 20%-30% of Egypt's tourist arrivals. See, "Russian Tourist Numbers set to recover slowly," *Economist Intelligence Unit*, May 4, 2018.

- Four Gowind Corvettes (produced by Naval Group)—This deal was signed in July 2014. As part of the French-Egyptian arrangement, some of the Corvette construction has taken place at the Alexandria Shipyard in Egypt.⁷⁸
- One FREMM multi-mission Frigate (produced by Naval Group)—Named the *Tahya Misr* (Long Live Egypt), this vessel was delivered to Egypt in 2015. This ship has participated in an annual joint French-Egyptian naval exercise, known as Cleopatra.
- 24 Rafale multirole fighters (produced by Dassault Aviation). Under the initial agreement signed in 2015, Egypt and France may enter into a new procurement agreement for 12 additional Rafale fighters. According to the manufacturer, the Rafale has flown in combat in Afghanistan, Libya, Mali, Iraq, and Syria and is used by Egypt, Qatar, and India.⁷⁹ In 2018, French officials said that the United States would not permit France to export the SCALP air-launched land-attack cruise missile used on the Rafale to Egypt under the International Trade in Arms Regulation (ITAR) agreement.⁸⁰ The United States may have been concerned over the transfer of sensitive technology to Egypt.
- Two Mistral-class Helicopter Carriers (produced by Naval Group)—In fall 2015, France announced that it would sell Egypt two Mistral-class Landing Helicopter Dock (LHD) vessels (each carrier can carry 16 helicopters, 4 landing craft, and 13 tanks) for \$1 billion. The LHDs (ENS *Anwar El Sadat* and ENS *Gamal Abdel Nasser*) were delivered in 2016. In 2017, Egypt announced that it would purchase Russian 46 Ka-52 Alligator helicopters, which can operate on the LHDs.

U.S.-Egyptian Relations

At a broad level, the United States views the stability of Egypt as key to the stability of the Middle East, and therefore maintains a decades-long security partnership to strengthen Egypt's armed forces and its ability to combat terrorism.⁸¹ During the Obama Administration, U.S.-Egyptian relations became strained, particularly after President Sisi's ascension to power in 2013. Under the Trump Administration, the President and other high-level U.S. officials have largely refrained from publicly criticizing Egypt over its poor human rights record.⁸² As previously mentioned, U.S. officials also have openly praised Egypt for the role it is playing in combatting terrorism, empowering women, reforming the economy, and promoting religious freedom.⁸³ The Trump Administration has been more open than its predecessors in openly acknowledging that Egypt's brand of authoritarianism does not disqualify it from U.S. support due to its cooperation

⁷⁸ In fall 2018, it was reported that the German manufacturer ThyssenKrupp Marine Systems is competing with the French company Naval Group for a possible new Egyptian Navy purchase of corvettes.

⁷⁹ See <https://www.dassault-aviation.com/en/defense/rafale/>.

⁸⁰ "France Could Replace US Parts in SCALP Missile to Circumvent ITAR Restrictions for Egypt, But at Some Delay," *Jane's Defence Weekly*, August 2, 2018.

⁸¹ The White House, President Donald J. Trump Remains Committed to Egypt and Middle East Stability, April 9, 2019.

⁸² One recent exception was during a recent hearing before Congress, when Assistant Secretary of State for Near Eastern Affairs David Schenker remarked that "Egypt has a long way to go on human rights." See, House Foreign Affairs Committee, Subcommittee on the Middle East, North Africa, and International Terrorism, Hearing entitled, U.S. Middle East Policy Objectives/Budget, October 29, 2019.

⁸³ The White House, President Donald J. Trump Remains Committed to Egypt and Middle East Stability, April 9, 2019.

with the United States on countering terrorism. In an exchange with Senator Leahy over Egypt's human rights record, Secretary of State Pompeo stated

Senator, there's no doubt that it's a mean nasty world out there, but [not] every one of these leaders is the same. Some of them are trying to wipe entire nations off the face of the Earth. And others are actually partnering with us to help keep America safe. There's a difference among leaders. You might call them tyrants; you might call them authoritarians. But, there's a fundamental difference. And therefore, a fundamental difference in the way the United States should respond....The president gets to choose his own words, how he speaks about these people. There's no doubt the Egyptians have been an important security partner, helping us take down terror threats in the Sinai that have reduced risks to the United States of America. There's no doubt about that. And for that, I am deeply appreciative of President Sisi. He has also been remarkably good with respect to religious freedom. I had a chance to travel there and see it. He has been a remarkable beacon in the Middle East for religious freedom.⁸⁴

President Trump has continued to request that Congress appropriate \$1.3 billion in military aid to Egypt (the same amount since 1987: see below), but he has not restored the Egyptian military's ability to benefit from "Cash Flow Financing (CFF)"—a mechanism granted by the President to enable Egypt to purchase U.S. defense equipment on credit financed over several years.⁸⁵

Moreover, President Trump reduced the FY2017 FMF obligation to Egypt by \$65.7 million as a result of "Egypt's ongoing relationship with the Democratic People's Republic of Korea, lack of progress on the 2013 convictions of U.S. and Egyptian nongovernmental organization (NGO) workers, and the enactment of a restrictive NGO law that will likely complicate ongoing and future U.S. assistance to the country."⁸⁶ In April 2019, Egypt withdrew from the Trump Administration's Middle East Strategic Alliance (MESA) initiative, and it did not send a high-level official to a recent MESA meeting in Washington DC.⁸⁷

One key U.S. component of U.S. Egyptian military cooperation has been expedited naval access through the Suez Canal. In May 2019, amidst rising U.S.-Iranian tension around the Strait of Hormuz, the United States deployed the aircraft carrier *USS Abraham Lincoln* and its strike group through the Suez Canal. The Egyptian Navy facilitated the passage and, according to the U.S. Navy, "The expedited transit of ABECSG [Abraham Lincoln Strike Group] through the Suez and into the 5th Fleet area of operation demonstrates the flexibility

Figure 8. The aircraft carrier USS Abraham Lincoln transits the Suez Canal.



Source: Department of the Navy.

⁸⁴ Senate Committee on Appropriations, Subcommittee on State and Foreign Operations, Hearing entitled, Fiscal 2020 Budget Request for the State Department, CQ Congressional Transcripts, April 9, 2019.

⁸⁵ On March 31, 2015, then National Security Council Spokesperson Bernadette Meehan remarked that "First, beginning in fiscal year 2018, we will discontinue Egypt's use of cash flow financing (CFF) – the financial mechanism that enables Egypt to purchase equipment on credit. By ending CFF, we will have more flexibility to, in coordination with Egypt, tailor our military assistance as conditions and needs on the ground change." See, Comment from NSC Spokesperson Bernadette Meehan regarding Egypt, March 31, 2015.

⁸⁶ Congressional Notification Transmittal Sheet, Mary K. Water, Assistant Secretary of Legislative Affairs, January 23, 2018.

⁸⁷ "Egypt Withdraws from U.S.-Led Anti-Iran Security Initiative – Sources," *Reuters*, April 10, 2019. See also, U.S. Department of State, Middle East Strategic Alliance General Conference, November 13, 2019.

of a multinational, multi-platform unit to respond whenever and wherever is required.”⁸⁸

Though military-to-military relations remain the backbone of the bilateral relationship, Egypt is increasingly seeking greater U.S. foreign direct investment in the private sector while the Trump Administration supports a “fair and reciprocal” trade relationship built on cooperation and “mutual benefit.”⁸⁹ Despite having the largest population in the Middle East, Egypt ranks as the region’s fifth-largest economy by GDP. By total 2018 volume of trade, Egypt ranks as the 65th-largest U.S. trading partner at \$7.5 billion in 2018. The United States has a trade surplus to Egypt and exports wheat and corn, mineral fuel and oil, machinery, aircraft, and iron and steel products. U.S. imports include apparel, natural gas and oil, fertilizers, textiles, and agricultural products.⁹⁰ According to the U.S. Department of Commerce’s Egypt Country Commercial Guide, U.S. foreign direct investment (FDI) in Egypt was \$9.4 billion in 2017 (latest data available), a 25.5% decrease from 2016.⁹¹

Though U.S.-Egyptian relations remain steady, Egypt has prioritized relationships with other actors from a defense standpoint.⁹² During Sisi’s presidency, Egypt has diversified its military-to-military and trade relationships away from the United States to include closer relations with Russia, China, and European nations such as France and Germany.⁹³ Between 2014 and 2018, Egypt was the third largest arms importer globally (after Saudi Arabia and India) with France and Russia being Egypt’s principal suppliers.⁹⁴

Current Issues in U.S.-Egyptian Relations

Possible Egyptian Purchase of Russian Advanced Fighter Aircraft

In April 2019, reports surfaced that the Egyptian Air Force was considering procuring over 20 Russian Sukhoi Su-35 Multi-Role Fighter Aircraft in a deal worth \$2 billion.⁹⁵ The Su-35 is Russia’s most advanced fighter aircraft.

If reports of the possible Egyptian procurement of the Su-35 are true, then such action could trigger U.S. sanctions under the Countering Russian Influence in Europe and Eurasia Act of 2017 (CRIEEA; P.L. 115-44/H.R. 3364, Countering America’s Adversaries Through Sanctions Act [CAATSA], Title II – hereinafter referred to as CAATSA).⁹⁶ Section 231 of CAATSA requires

⁸⁸ U.S. Navy, Abraham Lincoln Transits Suez Canal, Story Number: NNS190509-07, May 9, 2019.

⁸⁹ Op.cit. White House, April 9, 2019.

⁹⁰ U.S. Department of State, U.S. Relations with Egypt, Bilateral Relations Fact Sheet, Bureau of Near Eastern Affairs, September 20, 2019.

⁹¹ U.S. Department of Commerce, International Trade Administration, Egypt Country Commercial Guide, Updated August 9, 2019.

⁹² The United States continues to fund the procurement of major defense systems, as the Defense Security Cooperation Agency (DSCA) has notified Congress of potential defense sales to Egypt worth an estimated \$1.8 billion since 2017. For a list of major arms sales notifications to Egypt, see <https://www.dsca.mil/tags/Egypt>.

⁹³ ThyssenKrupp Marine Systems (TKMS) supplies the Egyptian Navy with Type 209/1400mod submarines. The same German company also is providing the navy with MEKO A-200 frigates.

⁹⁴ “Trends in International Arms Transfers, 2018,” Stockholm International Peace Research Institute (SIPRI), March 2019.

“Egypt looks beyond the US to meet Defence Needs,” *Economist Intelligence Unit*, April 15, 2019. Report used data from the Stockholm International Peace Research Institute’s database on arms transfers.

⁹⁵ “Egypt Signs \$2 bln Deal to Buy Russian Fighter Jets – Kommersant,” *Reuters*, March 18, 2019.

⁹⁶ Countering Russian Influence in Europe and Eurasia Act of 2017, title II, Countering America’s Adversaries

that the President impose a number of sanctions on a person or entity who knowingly engages in a significant transaction with anyone who is part of, or operates for or on behalf of, the defense or intelligence sectors of the Government of the Russian Federation. The Secretary of State has determined that the manufacturer of the Su-35, Komsomolsk-na-Amur Aviation Production Organization (KNAAPO) is a part of, or operates on behalf of, Russia's defense and intelligence sectors for the purpose of meeting the definitional requirements of CAATSA Section 231.⁹⁷ On September 20, 2018, the U.S. Treasury Department made its first designations pursuant to Section 231 against the Equipment Development Department of China's Central Military Commission, as well as its director, for taking delivery from Russia of 10 Su-35 combat aircraft in December 2017 and S-400 surface-to-air missile system-related equipment in 2018.⁹⁸ Indonesia and Turkey also may purchase the Su-35.⁹⁹

On April 8, 2019, a bipartisan group of 17 Senators wrote a letter to Secretary of State Mike Pompeo expressing concern regarding Egypt's possible purchase of the Su-35.¹⁰⁰ The next day, in testimony before the Senate, Secretary Pompeo remarked that "We've made clear that, if those systems were to be purchased, [under] statute CAATSA would require sanctions on the regime.... We have received assurances from [the Egyptians] that they understand that [sanctions will be imposed] and I am very hopeful that they will decide not to move forward with that acquisition."¹⁰¹

Although there has been no additional reporting on Egyptian-Russian talks over advanced fighter aircraft since April 2019, U.S. officials appear to be aware that the United States is still Egypt's legacy arms supplier, despite growing competition in the international arena. According to then U.S. Ambassador-Designate to Egypt Jonathan Cohen

We have better product and we are, right now, Egypt's partner of choice across the board and we need to make sure that we remain a partner of choice. So, my engagement would be to underscore for the Egyptians that, the fact that about half of their military inventory is American, is for a good reason, because they chose the best they could get. And I think it's important that we continue to encourage them to buy our goods.¹⁰²

In November 2019, new reports surfaced indicating that Egypt has purchased 20 Su-35 fighter aircraft for approximately \$2 billion.¹⁰³ In response, U.S. officials have again warned Egypt that "Major new arms deals with Russia would—at a minimum—complicate future U.S. defense transactions with and security assistance to Egypt."¹⁰⁴ Another U.S. official cautioned that the purchase puts Egypt "at risk of sanctions and it puts them at risk of loss of future acquisition."¹⁰⁵

Through Sanctions Act (CAATSA; P.L. 115-44). For additional background, see CRS Report R45415, *U.S. Sanctions on Russia*, coordinated by Cory Welt.

⁹⁷ See, U.S. State Department, Section 231 of CAATSA, <https://www.state.gov/t/isn/caatsa/>

⁹⁸ https://www.treasury.gov/resource-center/sanctions/OFAC-Enforcement/Pages/20180920_33.aspx.

⁹⁹ "Russia Completes Deliveries of SU-35 Fighter Aircraft to China," *Jane's Defence Weekly*, April 16, 2019.

¹⁰⁰ Senator Bob Menendez website, Leading Senators Call on Sec. Pompeo to Raise Key Concerns during Bilateral Meeting with Egyptian President Sisi, April 8, 2019.

¹⁰¹ Senate Appropriations Subcommittee on State and Foreign Operations Holds Hearing on Fiscal 2020 Budget Request for the State Department, *CQ Transcripts*, April 9, 2019.

¹⁰² *op.cit.*, Senate Foreign Relations, June 20, 2019.

¹⁰³ "Pompeo Warns Egypt of Sanctions Over Russian Arms," *The Wall Street Journal*, November 15, 2019.

¹⁰⁴ *op.cit.*, *The Wall Street Journal*.

¹⁰⁵ "US: Egypt Could Face Sanctions if it Purchases Russian Fighter Jets," *Associated Press*, November 18, 2019.

Possible Muslim Brotherhood Designation

In late April 2019, media reports suggested that the Administration was considering designating the Muslim Brotherhood as a Foreign Terrorist Organization (FTO).¹⁰⁶ According to one unnamed senior U.S. official, “The President has heard the concerns about the Muslim Brotherhood from our friends and allies in the Middle East, as well as here at home....Any potential designation would go through a robust, deliberate, and inclusive interagency process.”¹⁰⁷

Opponents of designating the Muslim Brotherhood movement as an FTO have argued that it would be difficult because “[t]here is no single thing called the Muslim Brotherhood, but instead a number of organizations, movements, parties, associations, and informal groups that take some inspiration, sometimes direct and sometimes remote, from the original movement founded in Egypt in 1928 and the core texts its founder produced.”¹⁰⁸ Moreover, some legal scholars have argued that “[b]y statute, only foreign organizations that engage in, or retain the capacity and intent to engage in, terrorist activity that threatens U.S. nationals or U.S. national security can be designated as FTOs. On their face, these prerequisites disqualify nonviolent Muslim Brotherhood affiliates as well as those based in the United States.”¹⁰⁹ H.R. 2412, the Muslim Brotherhood Terrorist Designation Act of 2019, would call on the Secretary of State, in consultation with the intelligence community, to report to Congress on whether the Muslim Brotherhood meets the criteria for designation as an FTO under section 219 of the Immigration and Nationality Act (8 U.S.C. 1189).

The April Corley Case

In September 2015 in Egypt’s western desert, an Egyptian-operated, U.S.-supplied Apache helicopter attacked a group of tourists, resulting in the deaths of 12 people. During the attack, American citizen April Corley was severely injured.¹¹⁰ Based on the severity of Corley’s wounds and ongoing medical treatment, Egypt offered her what she claims was an inadequate amount of compensation. Corley has publicly advocated for the withholding of U.S. aid to Egypt (see **Table 2**) until she is fairly compensated and an amendment has been made to the Foreign Sovereign Immunities Act, “which currently prevents private citizens from suing Egypt or other countries in U.S. courts.”¹¹¹

Some lawmakers have supported Corley’s cause. Vice Chair of the Senate Appropriations Committee Senator Leahy has asked the State Department to withhold \$105 million in FY2018 FMF funds “over Cairo’s detention of former New York taxi driver Mustafa Kassem as well as Corley’s medical bills.”¹¹² In April 2019, House Committee on Appropriations Chairwoman Nita Lowey wrote in a letter to President Sisi that “Until this American citizen is provided compensation that is commensurate with her pain, suffering, and loss, I regret to inform you that I

¹⁰⁶ “Trump Pushes to Designate Muslim Brotherhood a Terrorist Group,” *New York Times*, April 30, 2019. See also, CRS In Focus IF10613, *Foreign Terrorist Organization (FTO)*, by John W. Rollins.

¹⁰⁷ “Trump Weighs Labeling Muslim Brotherhood a Terrorist Group,” *Reuters*, April 30, 2019.

¹⁰⁸ “Black Label,” *Carnegie Endowment for International Peace*, January 25, 2017.

¹⁰⁹ “How Trump Might Designate the Muslim Brotherhood as a Terrorist Organization,” *Lawfare* (Brookings Institution), May 13, 2019.

¹¹⁰ Corley’s legal representation has posted information on her case at <https://www.perseus-strategies.com/april-corley-us-egypt/>

¹¹¹ “Egypt Almost Killed Me Four Years Ago. The U.S. Must Hold its Government Accountable,” *Washington Post*, October 2, 2019.

¹¹² “Key Senator Looks to Block Apache Sale to Egypt Over Injured American,” *Al Monitor*, March 28, 2019.

will have to oppose any additional sale or upgrades of any AH-64E Apache helicopters to Egypt.”¹¹³

Recent Action on U.S. Foreign Aid to Egypt

For FY2020, the Trump Administration has requested a total of \$1.382 billion in bilateral assistance for Egypt. In FY2018 and FY2019, Congress appropriated \$1.4 billion in annual bilateral aid for Egypt. Nearly all of the U.S. funds for Egypt come from the FMF account and are in turn used to purchase U.S.-origin military equipment, spare parts, training, and maintenance from U.S. firms.

Table 2. U.S. Bilateral Aid to Egypt: FY2014-FY2019

current dollars in millions

Account	FY2014	FY2015	FY2016	FY2017	FY2018	FY2019 est.
FMF	\$1,300.000	\$1,300.000	\$1,300.000	\$1,234.300	\$1,300.000	\$1,300.000
ESF	\$200.000	\$36.462	\$112.250	\$112.500	\$106.869	\$112.500
INCLE	\$3.000	\$1.000	\$2.000	\$2.000	\$2.000	\$2.000
NADR	-	\$3.100	\$2.500	\$3.000	\$3.000	\$3.000
IMET	-	\$1.700	\$1.800	\$1.739	\$1.800	\$1.800
Total	\$1,503.000	\$1,342.260	\$1,418.550	\$1,353.539	\$1,413.669	\$1,419.300

Source: U.S. State Department.

Notes: In 2016, the Obama Administration notified Congress that it was reprogramming for other purposes \$108 million of ESF that had been appropriated for Egypt in FY2015 but remained unobligated. In 2017, the Trump Administration also reprogrammed approximately \$37 million in FY2016 ESF for Egypt to support, among other things, water programs in the West Bank. Funding levels in this table include both enduring (base) and Overseas Contingency Operations (OCO) funds. ESF=Economic Support Fund; FMF = Foreign Military Financing; IMET = International Military Education & Training; INCLE = International Narcotics Control + Law Enforcement; NADR = Nonproliferation, Antiterrorism, Demining, and Related

Egypt’s poor record on human rights and democratization has sparked regular criticism from U.S. officials and some Members of Congress. Since FY2012, Congress has passed appropriations legislation that withholds the obligation of FMF to Egypt until the Secretary of State certifies that Egypt is taking various steps toward supporting democracy and human rights. With the exception of FY2014, lawmakers have included a national security waiver to allow the Administration to waive these congressionally mandated certification requirements under certain conditions.

In August 2019, Secretary of State Pompeo issued a determination to waive a withholding requirement, thereby releasing \$300 million in FY2018 FMF funds. For FY2019, the Trump Administration has obligated \$1 billion in FMF for Egypt. \$300 million in FMF remains withheld until the Secretary issues a determination pursuant to Section 7041(a)(3)(B) of P.L. 116-6, the FY2019 Consolidated Appropriations Act.

During summer 2019, the Defense Security Cooperation Agency (DSCA) notified Congress of a potential \$554 million amendment adding to an ongoing follow-on technical support contract to the VSE Corporation to service the Egyptian Navy’s various ships, including Oliver Hazard Perry-class frigates, fast missile craft, minehunter coastal ships, and fast patrol craft. Congress did

¹¹³ Congresswoman Nita Lowey, Lowey Calls on Egyptian President to Fairly and Swiftly Resolve April Corley Case, Press Release, April 8, 2019.

not act to prohibit or amend the proposal within the 30-day review period provided for in the Arms Export Control Act (22 U.S.C.2778).

Table 3. Egypt and FY2020 Foreign Operations Appropriations: Side-by-Side

House	Senate
H.R. 2839/H.R. 2740	S. 2583
H.Rept. 116-78	S.Rept. 116-126
The bill would provide \$1.402 billion for assistance for Egypt, including up to \$102.5 million in ESF of which not less than \$35 million should be made available for higher education programs including not less than \$15 million for scholarships, and up to \$1.3 billion in FMF, provided that 20% of such funds shall be withheld from obligation until the Secretary of State certifies “that the Government of Egypt is taking the steps enumerated under this section in the report accompanying this Act.” The Secretary of State may waive the certification requirement with respect to 95% of the amount withheld from obligation. The remaining 5% may only be made available for obligation if the Secretary of State determines “that the Government of Egypt has completed action to provide fair and commensurate compensation to American citizen April Corley for injuries suffered by Egyptian armed forces on September 13, 2015.” The bill also includes authority for loan guarantees for Egypt.	The bill would provide \$1.438 billion for assistance for Egypt, including not less than \$125 million in ESF, of which not less than \$40 million should be made available for higher education programs, including not less than \$15 million for scholarships, and not less than \$1.3 billion in FMF, provided that \$0.3 million of FMF funds shall be withheld from obligation until the Secretary of State certifies that the Government of Egypt is taking sustained and effective steps to, among other things, advance democracy and human rights in Egypt. In making the certification, the Committee recommends the submission of reports on the cases of American citizens detained in Egypt, Egypt’s compliance with end-user monitoring agreements for the use of U.S. military equipment in the Sinai, and efforts by the Government of Egypt to compensate April Corley. The bill also includes authority for loan guarantees for Egypt.

Appendix. Background on U.S. Foreign Assistance to Egypt

Overview

Between 1946 and 2017, the United States provided Egypt with \$79.7 billion in bilateral foreign aid (calculated in historical dollars—not adjusted for inflation).¹¹⁴ The 1979 Peace Treaty between Israel and Egypt ushered in the current era of U.S. financial support for peace between Israel and its Arab neighbors. In two separate memoranda accompanying the treaty, the United States outlined commitments to Israel and Egypt, respectively. In its letter to Israel, the Carter Administration pledged to “endeavor to take into account and will endeavor to be responsive to military and economic assistance requirements of Israel.” In his letter to Egypt, former U.S. Secretary of Defense Harold Brown wrote the following:

In the context of the peace treaty between Egypt and Israel, the United States is prepared to enter into an expanded security relationship with Egypt with regard to the sales of military equipment and services and the financing of, at least a portion of those sales, subject to such Congressional review and approvals as may be required.¹¹⁵

All U.S. foreign aid to Egypt (or any foreign recipient) is *appropriated and authorized by Congress*. The 1979 Egypt-Israel Peace Treaty is a bilateral peace agreement between Egypt and Israel, and the United States is not a legal party to the treaty. The treaty itself does not include any U.S. aid obligations, and any assistance commitments to Israel and Egypt that could be potentially construed in conjunction with the treaty were through ancillary documents or other communications and were—by their terms—subject to congressional approval (see above). However, as the peace broker between Israel and Egypt, the United States has traditionally provided foreign aid to both countries to ensure a regional balance of power and sustain security cooperation with both countries.

In some cases, an Administration may sign a bilateral “Memorandum of Understanding” (MOU) with a foreign country pledging a specific amount of foreign aid to be provided over a selected time period subject to the approval of Congress. In the Middle East, the United States has signed foreign assistance MOUs with Israel and Jordan. Currently, there is no U.S.-Egyptian MOU specifying an amount of total U.S. aid pledged to Egypt over a certain time period.¹¹⁶

Congress typically specifies a precise allocation of most foreign assistance for Egypt in the foreign operations appropriations bill. Egypt receives the bulk of foreign aid funds from three primary accounts: Foreign Military Financing (FMF), Economic Support Funds (ESF), and

¹¹⁴ U.S. Overseas Loans and Grants, Obligations and Loan Authorizations, July 1, 1945-September 30, 2017.

¹¹⁵ See Letter From the Secretary of Defense (Brown) to the Egyptian Minister of Defense and War Production (Ali), March 23, 1979, “United States Sales of Military Equipment and Services to Egypt.” Ultimately, the United States provided a total of \$7.3 billion to both parties in 1979. The Special International Security Assistance Act of 1979 (P.L. 96-35) provided both military and economic grants to Israel and Egypt at a ratio of 3 to 2, respectively, though this ratio was not enshrined in the treaty as Egypt would later claim.

¹¹⁶ In July 2007, the George W. Bush Administration had announced, as a part of a larger arms package to the region, that it would begin discussions with Egypt on a proposed \$13 billion military aid agreement over a 10-year period. Since Egypt was already receiving approximately \$1.3 billion a year in military assistance, the announcement represented no major change in U.S. aid policy toward Egypt. Since then, no such bilateral MOU on U.S. military aid to Egypt has been reached by the Bush, Obama, or Trump Administrations with the Egyptian government.

International Military Education and Training (IMET).¹¹⁷ The United States offers IMET training to Egyptian officers in order to facilitate U.S.-Egyptian military cooperation over the long term.

Military Aid and Arms Sales

Overview

Since the 1979 Israeli-Egyptian Peace Treaty, the United States has provided Egypt with large amounts of military assistance. U.S. policymakers have routinely justified this aid to Egypt as an investment in regional stability, built primarily on long-running military cooperation and sustaining the treaty—principles that are supposed to be mutually reinforcing. Egypt has used U.S. military aid through the FMF to (among other things) purchase major U.S. defense systems, such as the F-16 fighter aircraft, the M1A1 Abrams battle tank, and the AH-64 Apache attack helicopter.

Frequently Asked Question: Is U.S. Military Aid Provided to Egypt as a Cash Transfer?

No. All U.S. military aid to Egypt finances the procurement of weapons systems and services *from U.S. defense contractors*.¹¹⁸ The United States provides military assistance to U.S. partners and allies to help them acquire U.S. military equipment and training. Egypt is one of the main recipients of FMF, a program with a corresponding appropriations account administered by the Department of State but implemented by the Department of Defense. FMF is a grant program that enables governments to receive equipment and associated training from the U.S. government or to access equipment directly through U.S. commercial channels.

Most countries receiving FMF generally purchase goods and services through government-to-government contracts, also known as Foreign Military Sales (FMS). According to the Government Accountability Office, “under this procurement channel, the U.S. government buys the desired item on behalf of the foreign country (Egypt), generally employing the same criteria as if the item were being procured for the U.S. military.” The vast majority of what Egypt purchases from the United States is conducted through the FMS program funded by FMF. Egypt uses few of its own national funds for U.S. military equipment purchases.

Under Section 36(b) of the Arms Export Control Act (AECA), Congress must be formally notified 30 calendar days before the Administration can take the final steps of a government-to-government foreign military sale of major U.S.-origin defense equipment valued at \$14 million or more, defense articles or services valued at \$50 million or more, or design and construction services valued at \$200 million or more. In practice pre-notifications to congressional committees of jurisdiction occur, and proposed arms sales generally do not proceed to the public official notification stage until issues of potential concern to key committees have been resolved.

Special Military Assistance Benefits for Egypt

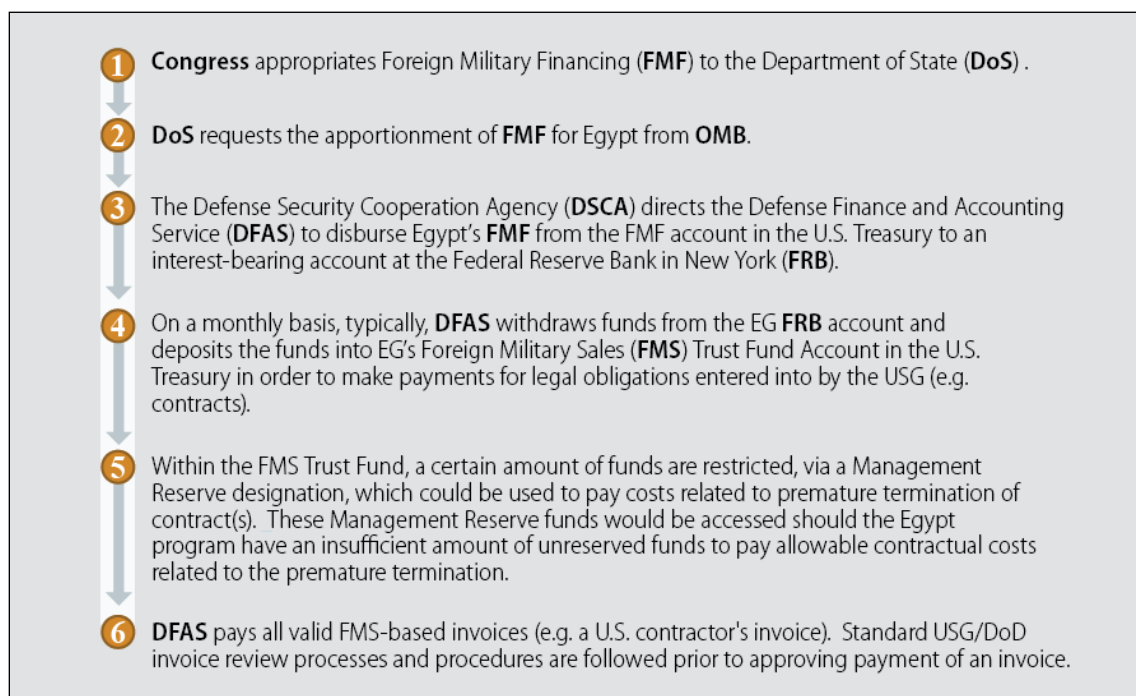
In addition to substantial amounts of annual U.S. military assistance, Egypt has benefited from certain aid provisions that have been available to only a few other countries. For example

¹¹⁷ Egypt also receives, though not consistently, relatively small sums from the Nonproliferation, Antiterrorism, Demining, and Related Programs (NADR) account and the International Narcotics Control and Law Enforcement (INCLE) account. NADR funds support counterterrorism training through the Antiterrorism Assistance Program. INCLE funds support police training and respect for human rights in law enforcement. The Administration typically requests these funds, but they are not usually specifically earmarked for Egypt (or for most other countries) in legislation. After the passage of a foreign operations appropriations bill, federal agencies such as the State Department and the U.S. Agency for International Development (USAID) allocate funds to Egypt from these aid accounts. They then submit a country allocation report (653a Report) to Congress for review.

¹¹⁸ For the relevant legal authorities, see §604 of the Foreign Assistance Act as amended (22 U.S.C. 2354) and §503 of the Foreign Assistance Act as amended (22 U.S.C. 2311).

- **Early Disbursal and Interest-Bearing Account:** Between FY2001 and FY2011, Congress granted Egypt early disbursement of FMF funds (within 30 days of the enactment of appropriations legislation) to an interest-bearing account at the Federal Reserve Bank of New York.¹¹⁹ Interest accrued from the rapid disbursement of aid has allowed Egypt to receive additional funding for the purchase of U.S.-origin equipment. In FY2012, Congress began to condition the obligation of FMF, requiring the Administration to certify certain conditions had been met before releasing FMF funds, thereby eliminating their automatic early disbursal. However, Congress has permitted Egypt to continue to earn interest on FMF funds already deposited in the Federal Reserve Bank of New York.
- **The Excess Defense Articles (EDA) program** provides one means by which the United States can advance foreign policy objectives—assisting friendly and allied nations through provision of equipment in excess of the requirements of its own defense forces. The Defense Security Cooperation Agency (DSCA) manages the EDA program, which enables the United States to reduce its inventory of outdated equipment by providing friendly countries with necessary supplies at either reduced rates or no charge. As a designated “major non-NATO ally,” Egypt is eligible to receive EDA under Section 516 of the Foreign Assistance Act and Section 23(a) of the Arms Export Control Act.

¹¹⁹ By law, Egypt and Israel are permitted to earn interest on congressionally appropriated Foreign Military Financing (FMF). During the late 1990s, the Clinton Administration (especially the U.S. Defense Department) and the Egyptian government sought to increase U.S. military aid to Egypt. One proposal had been to grant Egypt a benefit already enjoyed by Israel—the use of an interest-bearing account in which unspent FMF funds can accumulate interest to be used for future purchases. During Senate consideration of legislation to provide Egypt access to an interest-bearing account, Sen. Mitch McConnell remarked that “In the State Department briefing justifying the request, U.S. officials urged our support because of Mubarak’s need to address the requirements of ‘his key constituents, the military.’ Frankly, I think Mr. Mubarak needs to worry less about satisfying the military and spend more time and effort shoring up democratic institutions and civic society.” See Congressional Record-Senate, S5508, June 21, 2000. In October 2000, Congress passed P.L. 106-280, the Security Assistance Act of 2000, which authorized FY2001 FMF funds for Egypt to be disbursed to an interest-bearing account in the Federal Reserve Bank of New York. The law required that none of the interest accrued by such account should be obligated unless first notified to relevant congressional appropriations and oversight committees. In November 2000, Congress passed P.L. 106-429, the FY2001 Foreign Operations Appropriations Act, which included an interest-bearing account for Egypt in appropriations legislation. Since then, this provision has remained in annual appropriations legislation, most recently in P.L. 114-113, the Consolidated Appropriations Act, 2016.

Figure A-1. The Military Aid “Pipeline”

Source: Information from Defense Security Cooperation Agency. Graphic created by CRS.

Economic Aid

Overview

Over the past two decades, U.S. economic aid to Egypt has been reduced by over 90%, from \$833 million in FY1998 to a request of \$75 million for FY2020. Beginning in the mid to late 1990s, as Egypt moved from an impoverished country to a lower-middle-income economy, the United States and Egypt began to rethink the assistance relationship, emphasizing “trade not aid.” Congress began to scale back economic aid both to Egypt and Israel due to a 10-year agreement reached between the United States and Israel in the late 1990s known as the “Glide Path Agreement,” which gradually reduced U.S. economic aid to Egypt to \$400 million by 2008.¹²⁰ U.S. economic aid to Egypt stood at \$200 million per year by the end of the George W. Bush Administration, whose relations with then-President Hosni Mubarak suffered over the latter’s reaction to the Administration’s democracy agenda in the Arab world.¹²¹

During the final years of the Obama Administration, distrust of U.S. democracy promotion assistance led the Egyptian government to obstruct many U.S.-funded economic assistance

¹²⁰ In January 1998, Israeli officials, sensing that their economic growth had obviated the need for that type of U.S. aid at a time when Congress sought to reduce foreign assistance expenditures, negotiated with the United States to reduce economic aid and increase military aid over a 10-year period. A 3:2 ratio that long prevailed in the overall levels of U.S. aid to Israel and Egypt was applied to the reduction in economic aid (\$60 million reduction for Israel and \$40 million reduction for Egypt), but Egypt did not receive an increase in military assistance. Thus, Congress reduced ESF aid to Egypt from \$815 million in FY1998 to \$411 million in FY2008.

¹²¹ The George W. Bush Administration requested that Congress cut ESF aid by half in FY2009 to \$200 million. Congress appropriated the President’s request.

programs.¹²² According to the Government Accountability Office (GAO), the Department of State and the U.S. Agency for International Development (USAID) reported hundreds of millions of dollars (\$460 million as of 2015) in unobligated prior year ESF funding.¹²³ As these unobligated balances grew, it created pressure on the Obama Administration to reobligate ESF funds for other purposes. In 2016, the Obama Administration notified Congress that it was reprogramming \$108 million of ESF that had been appropriated for Egypt in FY2015 but remained unobligated for other purposes. The Administration claimed that its actions were due to “continued government of Egypt process delays that have impeded the effective implementation of several programs.”¹²⁴ In 2017, the Trump Administration also reprogrammed FY2016 ESF for Egypt.

U.S. economic aid to Egypt is divided into two components: (1) USAID-managed programs (public health, education, economic development, democracy and governance); and (2) the U.S.-Egyptian Enterprise Fund.¹²⁵ Both are funded primarily through the Economic Support Fund (ESF) appropriations account.

Table A-1. U.S. Foreign Assistance to Egypt: 1946-2019
\$s in millions (calculated in historical dollars—not adjusted for inflation)

Year	Military	Economic	Annual Total
1946	n/a	\$9,600,000	\$9,600,000
1948	n/a	\$1,400,000	\$1,400,000
1951	n/a	\$100,000	\$100,000
1952	n/a	\$1,200,000	\$1,200,000
1953	n/a	\$12,900,000	\$12,900,000
1954	n/a	\$4,000,000	\$4,000,000
1955	n/a	\$66,300,000	\$66,300,000
1956	n/a	\$33,300,000	\$33,300,000
1957	n/a	\$1,000,000	\$1,000,000
1958	n/a	\$601,000	\$601,000
1959	n/a	\$44,800,000	\$44,800,000
1960	n/a	\$65,900,000	\$65,900,000
1961	n/a	\$73,500,000	\$73,500,000
1962	n/a	\$200,500,000	\$200,500,000
1963	n/a	\$146,700,000	\$146,700,000
1964	n/a	\$95,500,000	\$95,500,000
1965	n/a	\$97,600,000	\$97,600,000
1966	n/a	\$27,600,000	\$27,600,000
1967	n/a	\$12,600,000	\$12,600,000

¹²² House Foreign Affairs Committee, hearing entitled, “Egypt: Challenges and Opportunities for U.S. Policy,” Prepared Statement by Amy Hawthorne, Project on Middle East Democracy, June 15, 2016.

¹²³ EGYPT: U.S. Government Should Examine Options for Using Unobligated Funds and Evaluating Security Assistance Programs, GAO-15-259: Published: February 11, 2015. Publicly Released: March 12, 2015.

¹²⁴ “US Shifts Egypt Aid to Other Countries,” *Al Monitor*, October 16, 2016.

¹²⁵ “Here’s One U.S. - Egypt Success Story,” *Washington Post*, April 5, 2019.

Year	Military	Economic	Annual Total
1972	n/a	\$1,500,000	\$1,500,000
1973	n/a	\$800,000	\$800,000
1974	n/a	\$21,300,000	\$21,300,000
1975	n/a	\$370,100,000	\$370,100,000
1976	n/a	\$464,300,000	\$464,300,000
1976tq	n/a	\$552,501,000	\$552,501,000
1977	n/a	\$907,752,000	\$907,752,000
1978	\$183,000	\$943,029,000	\$943,212,000
1979	\$1,500,379,000	\$1,088,095,000	\$2,588,474,000
1980	\$848,000	\$1,166,423,000	\$1,167,271,000
1981	\$550,720,000	\$1,130,449,000	\$1,681,169,000
1982	\$902,315,000	\$1,064,936,000	\$1,967,251,000
1983	\$1,326,778,000	\$1,005,064,000	\$2,331,842,000
1984	\$1,366,458,000	\$1,104,137,000	\$2,470,595,000
1985	\$1,176,398,000	\$1,292,008,000	\$2,468,406,000
1986	\$1,245,741,000	\$1,293,293,000	\$2,539,034,000
1987	\$1,301,696,000	\$1,015,179,000	\$2,316,875,000
1988	\$1,301,477,000	\$873,446,000	\$2,174,923,000
1989	\$1,301,484,000	\$968,187,000	\$2,269,671,000
1990	\$1,295,919,000	\$1,093,358,000	\$2,389,277,000
1991	\$1,301,798,000	\$998,011,000	\$2,299,809,000
1992	\$1,301,518,000	\$933,320,000	\$2,234,838,000
1993	\$1,302,299,892	\$753,532,569	\$2,055,832,461
1994	\$1,329,014,520	\$615,278,400	\$1,944,292,920
1995	\$1,342,039,999	\$975,881,584	\$2,317,921,583
1996	\$1,373,872,023	\$824,526,772	\$2,198,398,795
1997	\$1,304,889,154	\$811,229,175	\$2,116,118,329
1998	\$1,303,343,750	\$833,244,554	\$2,136,588,304
1999	\$1,351,905,310	\$862,062,972	\$2,213,968,282
2000	\$1,333,685,882	\$742,458,662	\$2,076,144,544
2001	\$1,299,709,358	\$393,734,896	\$1,693,444,254
2002	\$1,301,367,000	\$1,046,193,773	\$2,347,560,773
2003	\$1,304,073,715	\$646,856,657	\$1,950,930,372
2004	\$1,318,119,661	\$720,241,711	\$2,038,361,372
2005	\$1,294,700,384	\$495,849,549	\$1,790,549,933
2006	\$1,301,512,728	\$351,242,865	\$1,652,755,593
2007	\$1,305,235,109	\$737,348,766	\$2,042,583,875

2008	\$1,294,902,533	\$314,498,953	\$1,609,401,486
2009	\$1,301,332,000	\$688,533,320	\$1,989,865,320
2010	\$1,301,900,000	\$301,154,735	\$1,603,054,735
2011	\$1,298,779,449	\$240,529,294	\$1,539,308,743
2012	\$1,302,233,562	\$90,260,725	\$1,392,494,287
2013	\$1,239,659,511	\$330,576,763	\$1,570,236,274
2014	\$1,303,000,000	\$200,000,000	\$1,503,000,000
2015	\$1,345,091,943	\$222,673,006	\$1,567,764,949
2016	\$1,105,882,379	\$133,408,861	\$1,239,291,240
2017	\$1,302,300,000	\$173,300,000	\$1,475,600,000
2018	\$1,306,800,000	\$106,869,000	\$1,413,669,000
2019	\$1,306,800,000	\$112,500,000	\$1,419,300,000
Totals	\$51,048,161.862	\$32,793,776.562	\$83,841,938.424

Source: U.S. Overseas Loans and Grants, Obligations and Loan Authorizations, July 1, 1945-September 30, 2017, and Congressional Budget Justifications (FY2018-FY2020).

Note: This chart does not account for the repurposing of assistance funds which had been previously obligated for Egypt.

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