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U.S. Egyptian Relations After the Cold War: Egypt's Growing Challenges

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Workshop Summary

- Violent Islamic insurgency will continue in Egypt, but it is unlikely to displace the government; it will raise the costs of economic and political reform for the regime.
- Although they represent only 20 to 25 percent of the population, mainstream Islamic movements will grow because the government appears to lack the vision to move the majority of the population in a different direction.
- Inertia in the Egyptian political system inhibits the emergence of new leadership and mobilization for needed political reforms.
- Egypt has succeeded in reducing debt and inflation, but it still faces long-term structural change before it becomes a market economyþa process that is proceeding slowly.
- Growing unemployment is the chief security threat to the regime; unemployed youth provide a pool of recruits for extremists.
- The Egyptian army will continue to protect the regime and the constitution; it would intervene if radical Islamic groups try to assume control of the government.
- U.S.-Egyptian relations are built on differing, sometimes inaccurate, assumptions. While both countries share strategic interests, they are no longer bound by a common strategic threat or shared vision for the future. Without such a vision, the relationship could founder.

Background

Despite several well publicized problems -- rising violence from Islamic extremists, an uninspired political climate, and continued unemployment and poverty -- Egypt's regime is in no immediate danger of collapse. Rather, the serious problems are long term. If a concerted attempt to address them is not made now, Egypt's future and U.S. interests could be threatened. The workshop focused on four interrelated issues:

- whether the political system can be revitalized without political upheaval

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- whether Islamic activism can be moderated or effectively challenged by competing secular forces
- whether Egypt's economic reforms can be sustained in the face of the painful political adjustments they will require
- whether the military will continue to play a stabilizing domestic role

Egypt's Political Dynamics

Inertia in Egypt's political system prevents the development of new leadership and stifles the ability of the system to mobilize its political resources behind economic reforms.

The system still functions under a social contract established by Nasser. The leadership is supported by the population in exchange for jobs, free education, medical care and housing. However, the contract is breaking down under economic and social pressures, and support for the regime is eroding. Egypt needs to develop new leadership but the system faces problems in providing avenues to power for younger generations. Most current leaders are technocrats, not politicians with communications and mobilization skills. In addition to new leadership, Egypt also needs a new vision to energize its youth and provide alternatives to Islamic ideology.

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Some conference participants expressed unease over management of domestic politics by the current government. In their view, the current leadership is not likely to open up the system to any appreciable extent. Continued political stability is viable only if Egypt can assure continued economic reform and substantial growth rates, but there was doubt that these economic conditions could be met without parallel political reform.

The most likely future is a continuation of the current political dynamicþa stable, but relatively lethargic regime, overly cautious and unwilling to encourage the creation of vital civic and political groups which could mobilize the country in the direction of structural economic reform. This leadership situation could lead to more serious instability, toward the end of the decade.

The Islamic Factor

Islamic activism is the most significant political trend on the horizon. Without corrective measures, Islamic movements are likely to increase in size and intensity. Egypt has seen previous Islamic "waves," but this one, begun in the mid 1970s, has escalated at an unprecedented rate. The current Islamic wave is larger, its penetration more pervasive, and the brutality of its extremists much greater. Militants have become more sophisticated in handling the media and more agile in their choice of targets (foreigners, Christians). They now have the ability for sustained engagement. The militants today are younger (often in their teens), more rural, and more poorly educated compared to militants a decade ago.

Despite the growth in violence, conference participants did not see much likelihood of a successful overthrow of the Egyptian government by militants, because of the overwhelming dominance of the state and its apparatus.

Mainstream Islamic movements such as the Muslim Brotherhood have also grown more powerful. They dominate the education administration, provide a wide range of social services, and have gradually taken over most professional associations, such as those representing lawyers, engineers, and teachers. In a free Egyptian election, however, the Muslim Brotherhood would probably not get more than 20 to 25 percent of the vote. A large, silent majority is available for political mobilization in Egypt, but has not yet been tapped by government forces or by the Islamic activists.

The Islamic movements are being created by *multiple crises*. These include rising unemployment, growing class differences resulting from market reforms and an inadequate social safety net, sluggish democratization, and the growth of a "lumpen proletariat" -- the fastest growing pool of recruits for violent movements. The movements also feed on a cultural gap between the values of authenticity ("roots") and modernity. Perceptions of Egypt's reduced regional and international role have also strengthened the Islamic drift.

Workshop participants agreed that the Egyptian government had recently lumped violent and nonviolent movements together and undertaken aggressive actions against both. Some participants felt such distinctions were nominal since both groups espoused similar aims. Others disagreed. However, there was widespread agreement that the most effective way to deal with mainstream movements was to draw them into the system, thereby making them more pragmatic and driving a wedge between moderates and radicals. Current policy has the potential to polarize Egyptian society, strengthen radicals, and drive mainstream movements underground.

Economics and Security

Weak economic performance is at the heart of Egypt's security problem. There was widespread agreement on the problem's diagnosis and its cure, but deep skepticism on whether the patient could be induced to take the medicine.

Egypt's most pressing security problem is unemployment. It has nearly doubled from 7.5 percent in the late 1970s to 14 percent today. At least 75 percent of the unemployed are new entrants to the labor market, many with high school or university degrees. To reduce unemployment, six to seven million new jobs are needed, requiring a 5 percent increase in GDP. Real growth is not likely to exceed 3 percent.

Egypt also suffers from a mismatch of skills in the labor force. Egyptian literacy is low -- under 50 percent -- a factor that makes Egypt uncompetitive on world markets. A drastic improvement in education is needed, but funds are scarce.

Not all the news is bad, however. Egypt boasts a good performance in agriculture, increasing production 145 percent between 1979 and 1992. Even more important, Egypt has successfully reduced its fiscal deficit, its inflation, and its balance of payments deficit. However, there is too little long-term investment in private industry that could help alleviate unemployment.

All agreed that structural change was necessary. Egypt faces a cultural mind setþinherited from the Nasser era -- against private investment and market competition. More privatization, particularly in labor-intensive, export-oriented industry, was recommended. The government needs to reduce its activities in economic production, which it does not do well, and increase its activities in the social service arenaþproviding more and better education, health care, and housing. In this area, it must recapture the social security net from Islamic groups.

There was some disagreement on the role of foreign aid. Some saw it as a palliative, slowing reform. Egyptian participants tended to view it not as a deterrent but as an essential cushion against political instability, which could derail reform.

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In the last analysis, continuation or intensification of structural change is a matter of political will on the part of the government. Many participants expressed doubt that the necessary will existed. Without it, however, continued unemployment and Islamic insurgency can be expected.

Domestic Role of the Military

The military's main domestic roleþprotection of the regime and the constitutionþis likely to continue. There is little likelihood of direct military intervention in the political system, unless there is an attempt to upset the system, particularly by radical Islamic groups. At least one participant indicated that the military would oppose an "opening of the system" if it would mean the empowerment of an Islamic regime.

There was some unease over the succession issue. President Mubarak's reluctance to appoint a vice-president has created a climate of uncertainty. Many felt that should Mubarak depart the scene suddenly, for whatever reason, the military would be the only force capable of assuring order and would be thrust back into politics, at least temporarily. Although a constitutional arrangement exists for the assumption of the presidency by the Speaker of Parliament pending Parliament's nomination of a permanent presidential candidate, many fear that, in the absence of a vice president, a power struggle could erupt.

The Egyptian military plays a major role in the domestic economy. Such production provides the military with considerable self-sufficiency and freedom from budgetary constraints. Its income is not taxed or subject to government accountability.

Workshop participants agreed that military industry was often efficient and could be an engine of growth, but criticized its economic role for distracting from the military's security mission and expanding the bureaucracy at a time when economic reform required its reduction. Andþmore importantþthey criticized it for competing unfairly with the private sector because of its cheap, subsidized labor and exemption from taxes.

Considerable discussion revolved around the likelihood of future U.S. cuts in military aid to Egypt. Egypt receives $1.3 billion in Foreign Military Funds and $815 million in economic support annually. In 1995, Egypt will receive almost 39 percent of all U.S. security assistance, second only to Israel.

Several participants insisted that high levels of U.S. aid will be necessary in the future to force modernization and upgrading Egypt's equipment. Military aid will not be used to expand troop numbers or equipment stocks. Some U.S. participants cautioned that military aid was bound to be cut due to U.S. budget pressures and that Egyptians should begin now to plan for that contingency.

U.S.-Egyptian Relations

U.S.-Egyptian relations have been based on different assumptions. While the U.S. worries about a collapse of the Egyptian economy and a challenge from Islamic activists, Egyptians do not feel as threatened by Islamic activities and resent the imposition of International Monetary Fund (IMF) standards without regard to domestic political backlash.

While both countries share interests in strategic territory such as the Suez Canal, the Mediterranean, and the Red Sea, they no longer share either a common threat or a common vision for the future -- a situation that could endanger their future relationship.

Policy Recommendations

The following policy suggestions flow from the conference: The United States should:

- Encourage efforts at political reformþto include more open elections, institutionalization of political succession, and reduction of corruption.
- Emphasize the need to discriminate between moderate and violent Islamic movements.
- Strongly support reforms that accelerate the shift to a market economy and transfer government resources from production of goods to social services such as education, health, and housing.
- Urge Egyptians to examine their defense priorities in the light of potential reductions in foreign aid funding.
- Encourage development of a common strategic vision to underpin the U.S.-Egyptian relationship in the post-Cold War period.

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