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Egypt: Background and U.S. Relations

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Summary

This report provides an overview of the key issues for Congress related to Egypt and U.S. foreign aid to Egypt.

Historically, Egypt has been an important country for U.S. national security interests based on its geography, demography, and diplomatic posture. 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.

Additionally, U.S. leaders have consistently expressed concerns about governance and human rights in Egypt, and differences over these issues have tested bilateral relations repeatedly in recent years. In 2011, the United States encouraged Egypt's long-serving President Hosni Mubarak to step down in the face of a popular uprising, and revised U.S. assistance programs two years later, when the Egyptian military intervened to oust Mubarak's elected successor, Muhammad Morsi, amid popular demands.

Egyptian President Abdel Fattah el Sisi, who led the 2013 military intervention and was elected in mid-2014, reportedly has high hopes for improving bilateral relations through engagement with the Trump Administration. President Trump has sought to improve U.S. relations with Egypt, which were perceived as strained under President Obama. Nevertheless, Administration officials have raised concerns about Egypt's new NGO law and the continued detention of American citizens in Egypt.

Between 1946 and 2016, the United States provided Egypt with $78.3 billion in bilateral foreign aid (calculated in historical dollars—not adjusted for inflation). This report discusses the conditions governing the release of these funds. All U.S. foreign aid to Egypt (or any recipient) is appropriated and authorized by Congress, while all U.S. military aid to Egypt finances the procurement of weapons systems and services from U.S. defense contractors.

For FY2019, the President is requesting a total of $1.381 billion in foreign assistance for Egypt, the same amount requested as the previous year. Nearly all of the requested funds for Egypt would come from the FMF account. For FY2018, the Consolidated Appropriations Act, 2018 (P.L. 115-141) provided a total of $1.419 billion U.S. military and economic aid to Egypt, which is the same amount Egypt received in FY2017.

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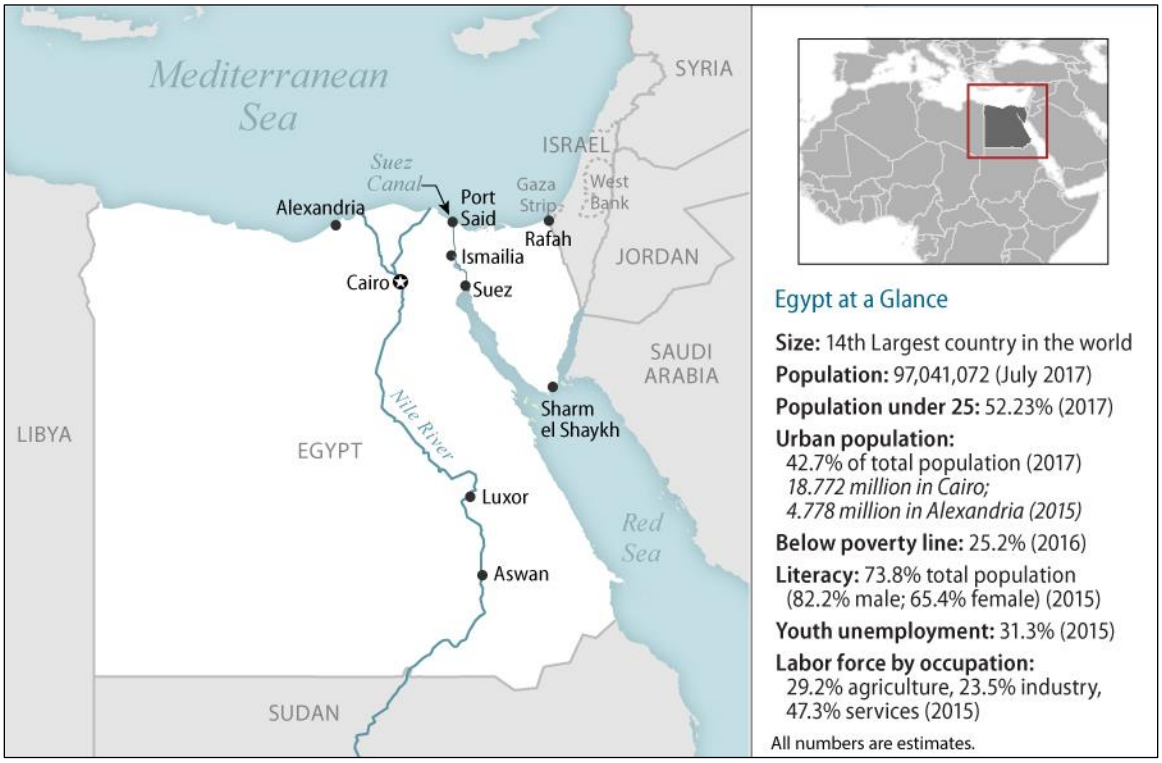
Overview

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.[1] In 2016, nearly 4 billion barrels per day of crude oil transited the canal in both directions.[2]

Figure 1. Egypt at a Glance



Source: Created by CRS.

Egypt, with its population of 97 million, is by far the most populous Arabic-speaking country. Although 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. The 22-member Arab League and Al Azhar University, which claims to be the oldest continuously operating university and has symbolic importance as a leading source of Islamic scholarship, are based in Cairo.

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, Israel and Egypt have increased their cooperation against Islamist militants and instability in the Sinai Peninsula and Gaza Strip.

[1] U.S. Energy Information Administration, "Maritime Chokepoints are Critical to Global Energy Security," August 1, 2017.

[2] U.S. Energy Information Administration, "Three Important Oil Trade Chokepoints are located around the Arabian Peninsula," August 4, 2017.

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 el 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 time lines 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 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'etat 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 killing of at least 1,150 demonstrators. The Egyptian military justified these actions by decrying the encampments as a threat to national security.

Egypt under President Sisi: 2014-Present

Egyptian President Abdel Fattah el Sisi (former Field Marshal and Minister of Defense) has somewhat restored the public order that was upended by nationwide protests and leadership changes from 2011 to 2013. Critics charge that authorities have established order by rolling back civil liberties and curtailing most political opposition.[3] In public, President Sisi, who was elected in mid-2014 with 97% of the vote, has stated that Egyptians must defer practicing "real democracy" in order to preserve the "current social consensus."[4]

[3] "Egypt Faces Criticism over Human Rights Record," Middle East In Focus, *Middle East Policy Council*, February 8, 2016.

[4] "Too Early for Real Democracy, Attack on Govt 'Unjustified': President," *Egypt Independent*, February 24, 2016.

The 2018 Presidential Election

On April 2, 2018, Egyptian President Abdel Fattah al Sisi was reelected for a second term, receiving 97% of all valid votes cast (41% voter turnout). The election process was widely perceived as favoring the incumbent.[5] After Sisi's victory, the U.S. State Department issued a press release noting that the U.S. government would continue to work with President Sisi to advance U.S.-Egyptian relations, while also noting "reports of constraints on freedoms of expression and association in the run-up to the elections."[6]

Figure 2. President Abdel Fattah el Sisi

Source: Egyptian State Information Service.

Sisi begins his second term having promised to step down when his term ends in 2022. There is no consensus successor to the president, and it is unclear whether the constitution will be amended to allow Sisi to either extend this term or serve for a third term if the two-term limit is abolished (and he is reelected).

The Egyptian Government & Economy

Executive Branch and Military

Egypt is formally a republic, governed by a constitution that was approved in a national referendum in January 2014.[7] The constitution limits the president to two four-year terms.[8] It allows the president to issue decrees with the force of law when parliament is not in session, to appoint a prime minister to form a government, and to reshuffle the cabinet with the approval of parliament.

Since 1952, the military has been the strongest government entity, comprising nearly half a million personnel and possessing vast land and business holdings.[9] It plays a key social role, aiming to provide employment and a sense of national identity and pride. General Sedki Sobhi is the current Minister of Defense.

[5] Prior to the elections, a consortium of international human rights groups said Egyptian authorities had "trampled over even the minimum requirements for free and fair elections," and labeled the exercise "farcical." See, Human Rights Watch, "Egypt: Planned Presidential Vote Neither Free Nor Fair," February 13, 2018. According to Egypt's National Election Authority, President Sisi received 21.8 million votes; his opponent, Moussa Mostafa Moussa, received 656,534. There were 1.8 million spoiled ballots.

[6] U.S. State Department, Egyptian Elections, Press Statement, Heather Nauert Department Spokesperson, April 2, 2018.

[7] An unofficial English translation of the constitution is available at http://www.sis.gov.eg/Newvr/Dustor-en001.pdf.

[8] Article 140 of Egypt's 2014 constitution specifies that the president of Egypt shall be elected for a period of four years and may only be reelected once.

[9] "The Egyptian Armed Forces and the Remaking of an Economic Empire," *Carnegie Middle East Center*, April 15, 2015.

Legislative Branch

Parliamentary elections were held in late 2015 (Parliament had been dissolved since June 2012) for Egypt's House of Representatives (or Council of Representatives), with its single-chamber legislature comprised of 596 members (568 elected, 28 appointed by the president). Members of parliament serve five-year terms. The Speaker of the Egyptian House of Representatives is Dr. Ali Abdel Aal Sayyed Ahmed, an expert on constitutional law.

Parliamentarians with Islamist leanings are represented by 12 lawmakers who hail from the Salafist Nour Party. The Muslim Brotherhood was outlawed and declared a terrorist group in 2013 and its main political arm, the Freedom and Justice Party (FJP), was dissolved in 2014.[10]

The Judiciary

Egypt has civilian courts and, since 1966, a parallel military justice system.[11] Article 204 of the 2014 constitution enshrines the Military Court as an independent judicial body, and subsequent presidential decrees have expanded its jurisdiction. Although the professionalism of Egyptian judges has been long established, some observers have asserted that, since 2013, the courts have supported the military's crackdown against dissent.[12] In 2017, parliament passed an amendment to the Judicial Authority Law which altered how the chief justice of Egypt's four main judicial bodies is selected. Whereas under the previous system, the chief justice was selected on a seniority basis with presidential approval, the amended law gives the president the authority to choose the chief justice from three nominees sent to him by the courts. Some current and former judges have assailed the new law as undermining the independence of the judiciary.[13] Independence of the judiciary is required under Article 94 of the constitution which states that, "the independence, immunity and impartiality of the judiciary are essential guarantees for the protection of rights and freedoms."

[10] After Mubarak's resignation in February 2011, the FJP was legalized, and secured 45% of all seats in the lower house of parliament (which then had two chambers) following parliamentary elections in 2011-2012.

[11] For an overview of the court system, see the Law Library's Legal Research Guide: Egypt, available at https://www.loc.gov/law/help/legal-research-guide/egypt.php#court.

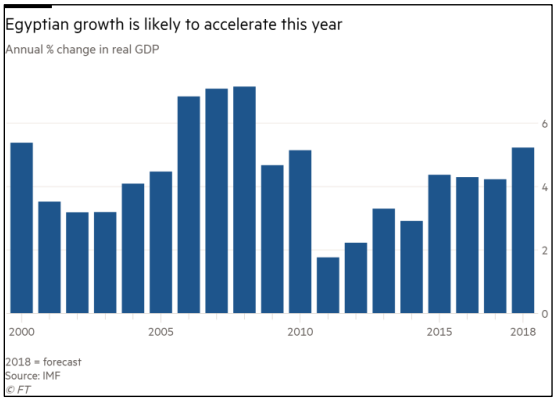
[12] David Risley, "Egypt's Judiciary: Obstructing or Assisting Reform?" *Middle East Institute*, January 13, 2016.

[13] "Is Sisi Undermining Independence of Egypt's Judiciary?" *Al Monitor*, May 3, 2017.

The Economy

According to the IMF, the Egyptian economy is currently growing at 5.2%, a significant improvement compared to 4.2% real GDP growth a year ago.[14] Egypt's economic growth is at the highest rate since 2008 (see **Figure 3**). Moreover, gross foreign exchange reserves have risen to $44 billion, while Egypt is on track to achieve a primary budget surplus (excluding interest payments) this year. In line with IMF recommendations, the government has taken several steps to reform the economy, including depreciating the currency, reducing fuel subsidies, enacting a value-added tax (VAT), and providing cash payments to the poor in lieu of subsidizing household goods (though many food subsidies continue).

Figure 3. Annual GDP Growth in Egypt



Source: Financial Times.

The Egyptian Military's Role in the Economy

President Sisi's political reliance on the military, coupled with the 2016 devaluation of the Egyptian currency and the concomitant rise in the price of imported goods, has highlighted the military's role in the national economy. 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 believed to be largely economically self-sufficient. It produces what it consumes (food and clothes) and then sells surplus goods for additional revenue.

Under President Sisi, who has commissioned massive infrastructure projects, Egyptian military companies have been the main beneficiaries of government contracts.[15] Moreover, as inflation continues to make foreign goods prohibitively expensive, military-owned manufacturing companies have expanded into new markets, producing goods that are cheaper than either foreign imports or domestically-produced goods made by the private sector (appliances, solar panels, some electronics, and some medical equipment).

Proponents of the military's expanded role argue that its companies can move goods to market more quickly and sell them to consumers at prices below those charged by private corporations. Critics argue that the military is distorting the economic system and benefitting from a legal system that gives the military unfair advantages. Reportedly, the military does not pay corporate income taxes and employs low-wage conscript labor to keep overhead costs at a minimum.[16] According to one report, in 2016, the military was exempted from having to pay a new value-added tax (VAT) law enacted as part of IMF-inspired reforms, and in 2015, an executive decree exempted military-owned hotels from real estate taxes.[17]

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.[18] In December 2017, an Egyptian and Italian partnership began commercial output from the Zohr natural gas field, the largest ever natural gas field discovered in the Mediterranean Sea. The

[14] "IMF Staff Reaches Staff-Level Agreement on the Third Review for Egypt's Extended Fund Facility," International Monetary Fund, Press Release Number 18/180, May 17, 2018.

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

[16] "Army's Economic Role Fuels Debate in Egypt," *Middle East Online*, April 3, 2018.

[17] "From War Room to Boardroom: Military Firms Flourish in Sisi's Egypt," *Reuters*, May 16, 2018.

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

Egyptian government also has repaid debts owed to foreign energy companies, allowing for new investments from BP and BG Group.

Nevertheless, significant challenges remain. Inflation remains over 13%, making the cost of goods high for many Egyptians. 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 (nearly 38% of Egypt's budget) toward debt-service payments and away from spending on health and education.[19] In the past year, gross public debt stood at 103% of GDP while the external debt had risen to $82.9 billion at the end of 2017.

[19] "Egypt Economy: Quick View - Deficit Target of 8.4% of GDP set in new Budget," *Economist Intelligence Unit*, March 21, 2018.

Figure 4. Egypt in the Next 20 Years

National Intelligence Council's Projections

Source: National Intelligence Council. "Global Trends: Paradox of Progress." January 2017.

Current Issues

Terrorism and Islamist Militancy in Egypt

President Sisi, who led the 2013 military intervention and was elected president in mid-2014, 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. President Sisi has outlawed the Muslim Brotherhood while launching a more general crackdown against a broad spectrum of opponents, both secular and Islamist. While Egypt is no longer beset by the kind of large-scale civil unrest and public protest it faced during the immediate post-Mubarak era, it continues to face terrorist and insurgent violence, both in the Sinai Peninsula and in the rest of Egypt.

Sinai Peninsula

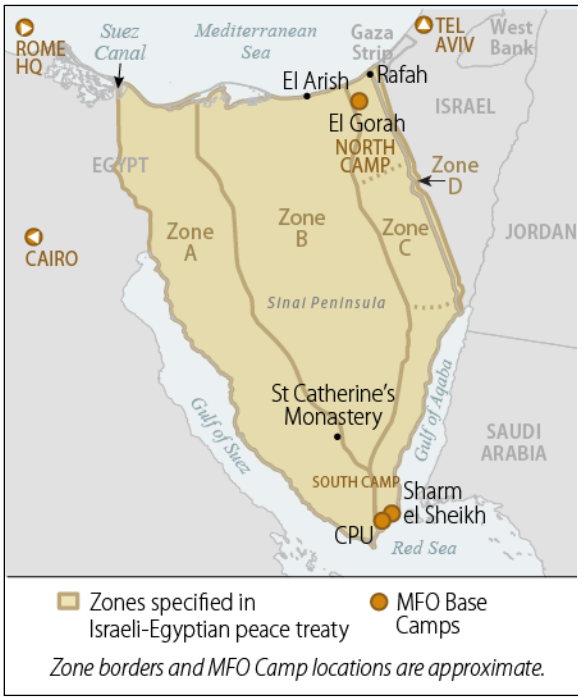
Terrorists based in the Sinai Peninsula (the Sinai) have been waging an insurgency against the Egyptian government for more than six years. While the terrorist landscape in Egypt is evolving and encompasses several groups, the Islamic State's Sinai Province affiliate (IS-SP) is known as the most lethal.[20] Since its affiliation with the Islamic State in 2014, IS-SP has attacked the Egyptian military continually, targeting Coptic Christian individuals and places of worship while occasionally firing rockets into Israel. In October 2015, IS-SP allegedly targeted Russian tourists departing the Sinai by planting a bomb aboard Metrojet Flight 9268, which exploded mid-air, 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.[21]

[20] 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.

[21] See also 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:

Figure 5. The Sinai Peninsula



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

- **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 a mix of Palestinians and Bedouin Arab tribes whose relationship to the state is filled with distrust. Sinai Bedouin have faced discrimination and exclusion from full citizenship and from 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.[22]
- **Economics**: Bedouins claim that Egypt has underinvested in northern Sinai, channeling development toward southern tourist destinations that cater to foreign visitors. Northern Sinai consists of mostly flat desert terrain inhospitable to large-scale agriculture without significant investment in irrigation. For decades, the Egyptian state has claimed to follow successive Sinai development plans.[23] However, Egyptian governance and development of the Sinai has been hampered by both public and private-sector corruption.
- **Diplomacy**: The 1979 Israeli-Egyptian peace treaty limits the number of soldiers that Egypt can deploy in the Sinai, subject to the parties' ability to negotiate changes as circumstances necessitate. Egypt and Israel mutually agree upon any short-term increase of Egypt's military presence in the Sinai. 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 Multinational Force and Observers, or MFO, are deployed in the Sinai to monitor the terms of the Israeli-Egyptian peace treaty (see **Figure 5**).

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

[23] For a history of Sinai development, see "Egypt's Sinai Question," *International Crisis Group*, Middle East/North Africa Report Number 61, January 30, 2007.

In order 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.[24] According to *Jane's Defence Weekly*, Egypt may be upgrading an old air base in the Sinai (Bir Gifgafa), where it could deploy Apache attack helicopters and unmanned aerial vehicles for use in counterterrorism operations.[25] One recent news account suggests that Israel, with Egypt's approval, has used its own drones, helicopters, and aircraft to carry out more than 100 covert airstrikes inside Egypt against militant targets.[26] As noted above, the terms of Egypt's peace treaty with Israel require Egypt to coordinate certain military deployments with Israel.

While an increased Egyptian military presence in the Sinai may be necessary to stabilize the area, observers have argued that military means alone are insufficient.[27] These critics say that force should be accompanied by policies to reduce the appeal of antigovernment militancy by addressing local political and economic grievances. According to one account:

> Sinai residents are prohibited from joining any senior post in the state. They cannot work in the army, police, judiciary, or in diplomacy. Meanwhile, no development projects have been undertaken in North Sinai the past 40 years. The villages of Rafah and Sheikh Zuwayed have no schools or hospitals and no modern system to receive potable water. They depend on rainwater and wells, as if it were the Middle Ages.[28]

Operation Sinai 2018

In the lead-up to Egypt's 2018 presidential election, President Sisi pledged that the armed forces would rid the Sinai Peninsula of terrorist elements. On February 9, 2018, the military launched a new offensive campaign, dubbed "Operation Sinai 2018." At the onset of operations, perhaps as many as 42,000 Egyptian troops reportedly were stationed in the Sinai to combat IS-SP.[29] According to one Egyptian media report citing official Egyptian military statements, as of late May 2018, the total number of those killed since the operation began in February 2018 has reached more than 300, including at least 37 Egyptian military personnel.[30] In April 2018, the military announced that it had killed Nasser Abu Zaqoul, the purported head of IS-SP.

Since Operation Sinai 2018 began, several international organizations have accused the military of human rights violations, charging that the armed forces have illegally demolished homes along the Egyptian-Gaza border while also denying basic services (water and electricity) to some northern Sinai communities.[31] Amnesty International also has charged that the Egyptian military

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[24] "Egypt's Long, Bloody Fight against the Islamic State in Sinai is going nowhere," *Washington Post*, September 15, 2017.

[25] "Egypt Reactivates Sinai Airbase," *Jane's Defence Weekly*, August 10, 2017. Also, "AT-802 Aircraft seen at Egyptian Airbase," *Jane's Defence Weekly*, January 23, 2018.

[26] "Secret Alliance: Israel Carries Out Airstrikes in Egypt, With Cairo's O.K," *New York Times*, February 3, 2018.

[27] 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.

[28] "Sinai's Suffering," *Foreign Affairs*, March 13, 2017.

[29] "Israel Approves Egypt's Troop Increase in Sinai, Official says," *BBC Monitoring Middle East*, Source: The Jerusalem Post website (in English), February 28, 2018.

[30] "Egypt's Military says 8 'takfiris', 2 Conscripts killed in Sinai Operation,"*Ahram Online*, May 29, 2018.

[31] See, Human Rights Watch, "Egypt: Army Intensifies Sinai Home Demolitions," May 22, 2018.

has used cluster munitions, possibly of U.S. origin, while conducting air strikes against terrorist targets.[32] The military has denied these accusations.

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 economic infrastructure. According to one expert, these insurgent groups are comprised mainly of former Muslim Brotherhood activists who have splintered off from the main organization to wage an insurgency against the government.[33]

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.[34] The State Department noted that some of the leaders of both groups "were previously associated with the Egyptian Muslim Brotherhood."

Concerns over Human Rights Violations

President Sisi has come under repeated international criticism for an ongoing government crackdown against various forms of political dissent and freedom of expression. Certain practices of Sisi's government, the parliament, and the security apparatus have been contentious. According to the U.S. State Department's report on human rights conditions in Egypt in 2017:

> The most significant human rights issues included arbitrary or unlawful killings by the government or its agents; major terrorist attacks; disappearances; torture; harsh or potentially life-threatening prison conditions; arbitrary arrest and detention; including the use of military courts to try civilians; political prisoners and detainees; unlawful interference in privacy; limits on freedom of expression, including criminal "defamation of religion" laws; restrictions on the press, internet, and academic freedom; and restrictions on freedoms of assembly and association, including government control over registration and financing of NGOs. LGBTI persons faced arrests, imprisonment, and degrading treatment. The government did not effectively respond to violence against women, and there were reports of child labor.[35]

In 2013, an Egyptian court convicted and sentenced 43 people (individuals from the United States, Egypt, and Europe), including the Egypt country directors of the National Democratic Institute (NDI) and the International Republican Institute (IRI), for spending money from organizations that were operating in Egypt without a license (known as Case 173 or the "foreign funding case"). On April 5, Egypt's Court of Cassation annulled the convictions of 16 individuals who were given suspended prison sentences (between one and five years) and ordered a retrial for

[32] "Egypt Is Using Banned U.S.-Made Cluster Munitions in Sinai, Rights Group Says," *New York Times*, February 28, 2018.

[33] Mokhtar Awad, *A Challenging State, Emerging Armed Groups in Egypt*, a Briefing Paper of the Small Arms Survey/Security Assessment in North Africa project, July 2017.

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

[35] U.S. State Department, Bureau of Democracy, Human Rights and Labor, Country Reports on Human Rights Practices for 2017, Egypt

them. Another 26 individuals, including 15 Americans, were sentenced in absentia, and it is unclear whether they will be given a retrial.

In May 2017, President Sisi signed Law 70 of 2017 on Associations and Other Foundations Working in the Field of Civil Work into law. The Parliament had passed this bill six months earlier, and both the passage and signing drew widespread international condemnation. The new law (which replaced a 2002 NGO law) requires NGOs to receive prior approval from internal security before accepting foreign funding. It also restricts the scope of permitted NGO activities and increases penalties for violations, including possible imprisonment for up to five years. As of December 2017, the government had not issued implementing regulations for the new NGO law. However, according to the U.S. State Department, "several local NGOs stated that while they continued to operate under the previous law, government agencies have frozen activities or carried out stricter registration and security procedures, in anticipation of implementation of the new law."[36]

In the spring of 2018, security agencies have arrested several high profile activists and charged them with spreading false news and belonging to the Muslim Brotherhood. Many of these activists and prominent critics were charged as part of Case 441/2018. The case includes prominent blogger Wael Abbas, University of Washington doctoral student Walid al-Shobaky, journalist Abd al-Rahman al-Ansari, and human rights activist Ezzat Ghoneim.[37]

The detention of American citizens in Egypt has continued to be an issue in U.S.-Egyptian relations under the Trump Administration. On January 20, 2018, Vice President Michael Pence traveled to Egypt and met with President Sisi to discuss various issues in bilateral relations, including Egypt's detention of two American citizens. In May 2018, Vice President Pence praised President Sisi's release of more than 300 prisoners, including American citizen Ahmed Etiwy.[38]

Egypt's Foreign Policy

Egypt and Israel have continued to find specific areas in which they can further 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 to Europe. While people-to-people relations remain cold, Israel and Egypt continue to cooperate against Hamas in the Gaza Strip. Though Egypt has been unsuccessful to this point at fostering Palestinian reconciliation between Hamas in Gaza and the Fatah-led Palestinian Authority in the West Bank, it continues to broker ceasefire agreements between Hamas and Israel, most recently in May 2018.

Egypt's relations with most Gulf Arab monarchies remain strong, and Saudi Arabia, the United Arab Emirates, and Kuwait have provided billions of dollars in financial assistance to Egypt's military-backed government since 2013. In March 2018, Saudi Crown Prince Mohammed bin Salman visited Egypt, where he pledged to create a $10 billion Saudi investment fund to develop a new urban economic zone in the south Sinai region on 1,000 square kilometers of land Egypt would lease to Saudi developers. Egypt and Saudi Arabia also have plans to construct a bridge linking the two countries. Egypt has already transferred sovereignty to Saudi Arabia over two

[36] op. cit., U.S. State Department.

[37] "University of Washington PhD Student, Missing for 4 days, Brought before Prosecution and Detained," *Mada Masr*, May 28, 2018.

[38] White House, Readout of Vice President Mike Pence's Call with President of Egypt Abdel Fattah Al Sisi, May 24, 2018.

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.

In June 2017, Egypt joined other Gulf Arab monarchies in boycotting Qatar, though it has not joined other Arab states in opposing the continued rule of the Asad regime in Syria.[39] In Yemen, Egypt is officially part of the Saudi-led coalition against Houthi forces, though its contribution to the war effort has been minimal.

In Libya, the Egyptian government has continued its policy of supporting Field Marshal Khalifa Haftar and the Libyan National Army (LNA) movement, which controls most of eastern Libya. For Egypt, 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, prior to unrest in Libya in 2011, thousands of Egyptian guest workers were employed in Libya's energy sector, and Egypt seeks their return to Libya and a resumption of the vital remittances those workers provided the Egyptian economy.

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 Fayez al Sarraj, the Chairman of the Presidential Council of Libya and Prime Minister of the U.N.-backed Government of National Accord. As Haftar has suffered recent health problems, there is some speculation that questions about his continued leadership role could lead Egypt and other external backers of Haftar (UAE and Russia) to apply more pressure on the general to compromise with his rivals in support of strengthening the Government of National Accord.[40] Egypt also may be pressuring Haftar to strengthen his position in the east against Islamist elements that present security concerns for Egypt. In May 2018, the LNA launched an offensive against Islamist militias to seize control of the Libyan city of Derna, which the LNA had encircled (but not fully seized) since July 2017. In 2015, Egyptian fighter jets conducted air strikes in Derna in response to the beheading of 21 Egyptian Coptic Christians by Islamic State militants in Sirte.

To Egypt's south, the government is embroiled in regional disputes with Nile Basin countries, such as Ethiopia, which is nearing completion on the $4.2 billion Grand Ethiopian Renaissance Dam, a major hydroelectric project which Egypt believes will limit the flow of the Nile River below Egypt's agreed share once the dam is filled. However, most analysts expect that Egypt will address the dispute by increasing water-use efficiency and investing in desalination, rather than using its military to bomb the dam.[41] Even if Egypt does not respond militarily to Ethiopia's anticipated filling of the dam, reduced Nile flow into Egypt may exacerbate existing water shortages and cause short-term political problems for the Egyptian government, which has been slow to address its domestic water needs.

Egypt and Russia

Egypt and Russia, close allies in early years of the Cold War, have again strengthened bilateral ties. This development is due in large part to the rise of President Sisi, who has promised to restore Egyptian stability and international prestige. His 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."[42]

[39] "Egypt Picks Sides in the Syrian War," *Foreign Affairs*, February 12, 2017.

[40] "Could Haftar's Illness Spark a new Power Struggle in Libya?" *Middle East Eye*, April 16, 2018.

[41] Economist Intelligence Unit, Egypt, June 1, 2018.

[42] "The United States and the Future of Egyptian-Russian Relations," *The Caravan*, Hoover Institution, March 9, 2017.

Egypt and the Soviet Union During the Cold War

From the mid-1950s until the late 1970s, Egypt maintained close relations with the former Soviet Union. In the early years of the Cold War, Egypt found itself at the center of superpower competition for influence in the Middle East. Wary of taking sides, Egypt's second President Gamal Abdel Nasser managed, for a short period, to steer Egypt clear of either the Soviet or Western "camp" and was instrumental in helping to establish the nonaligned movement. U.S.-Egyptian relations soured when Nasser turned to the Soviets and the Czechs in 1955 for military training and equipment after the West, frustrated by Nasser's repeated rejections and his support of Algerian independence against the French, refused to provide Egypt with defense assistance. After Nasser's death in 1970, Vice President Anwar Sadat became president of Egypt. At the time, Egypt was humiliated by its defeat in the June 1967 War and the accompanying loss of the Sinai Peninsula to Israel. Under these circumstances, Sadat calculated that a military victory was needed to boost his own legitimacy and improve Egypt's position in any future negotiations with Israel. He sought Soviet support, but was refused and, in July 1972, Sadat expelled Soviet military advisors from Egypt. The October 1973 War, which initially took Israel by surprise, was costly for both sides, but succeeded in boosting Sadat's credibility with the Egyptian people, enabling him to embark on a path which would ultimately sever Egypt's ties to the Soviet Union and bring it closer to the West.

Egypt and Russia have improved ties in a number of ways including an increase in arms deals. Russian and Egyptian press reports in 2016 suggested that the two governments reached a contract to upgrade Egypt's aging fleet of legacy Soviet MiG-21 aircraft to a fourth generation MiG-29M variant.[43] In December 2015, news sources reported that Russia would provide 46 standard Ka-52 helicopters to Egypt for its air force. Subsequent reports also suggest that Egypt may purchase the naval version for use on its two French-procured Mistral-class helicopter dock vessels.[44] Egypt also has reportedly purchased the S-300VM surface-to-air missile defense system from Russia.[45]

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 coast 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. The plant aims to be operational by 2022 and produce electricity by 2024.

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 suggests that Russian Special Forces based out of an airbase in Egypt's western desert (Sidi Barrani) may be aiding General Haftar.[46] Although Egyptian officials had initially denied any Russian presence on their soil, in November 2017, both sides signed a draft agreement governing the use of each other's air space.[47]

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[43] 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." Analysis: Egyptian Air Force Modernization," *Jane's International Defence Review*, "November 10, 2016.

[44] "Russia's Ka-52 Alligator Scout-Attack Helicopters," *Defense Industry Daily*, September 7, 2016.

[45] "Egyptian S-300VM SAM Delivery Confirmed," *Jane's Defence Weekly*, June 6, 2017.

[46] "Russia appears to Deploy Forces in Egypt, Eyes on Libya Role – Sources," *Reuters*, March 14, 2017.

[47] 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.

Trump Administration Policy toward Egypt

After a flurry of high level exchanges between Presidents Trump and Sisi in 2017, U.S.-Egyptian relations have been somewhat quieter in 2018. As mentioned above, Vice President Pence traveled to Egypt in January 2018. That same month, the United States and Egypt signed an agreement known as the Communications Interoperability and Security Memorandum of Agreement (CISMOA), which protects and regulates the use of sensitive American avionics and communications systems used in U.S.-origin military equipment that could be provided to Egypt. According to one account, the CISMOA may allow Egypt to acquire U.S. "high precision GPS-based air-to-ground weapon systems and components, as well as advanced air-to-air missiles."[48] Egypt, like some other nations, may have been reluctant to sign a CISMOA because the agreement stipulates that U.S. communications and encryption equipment must be maintained and repaired in country by U.S. personnel, not Egyptian technicians. Others note that the agreement is a step forward in the bilateral relationship. According to congressional testimony from U.S. Central Command (CENTCOM) Commander General Joseph L. Votel:

> Egypt supports our overflight requests, ensures Suez Canal transit, and shares our commitment to defeat ISIS. The cornerstone of this relationship is our security assistance partnership. In one example of our intensifying joint efforts, in January 2018, we celebrated the successful signing of the bilateral Communications Interoperability and Security Memorandum of Agreement (CISMOA), crowning over thirty years of effort to enhance security and counterterrorism cooperation.[49]

Recent Developments in U.S. Aid to Egypt

On January 23, 2018, the Administration notified Congress of its intent to obligate $1.039 billion in FY2017 FMF out of a total of $1.3 billion appropriated for FY2017. The $260.7 million difference between the appropriated and obligated FMF figures is composed of

- $195 million in FY2017 FMF that has been withheld pending a certification and reporting as specified in Section 7041 (a)3(A) of P.L. 115-31, the Consolidated Appropriations Act, 2017; and
- A $65.7 million reduction in FY2017 FMF, which the Administration had announced in summer 2017. According to the State Department, "this decision was made in support of our national security interests as a result of Egyptian inaction on a number of critical requests by the United States, including 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. The Department of State will notify the committees of how the Department intends to utilize the $65,700,000 in FY 2017 FMF-OCO at a later date."[50]

[48] "Israel and United States Military Assistance to Egypt," *INSS Insight*, No. 1047, April 29, 2018.

[49] Statement of General Joseph L. Votel, Commander U.S. Central Command, House Armed Services Committee, hearing entitled, Terrorism And Iran: Defense Challenges in the Middle East, February 27, 2018.

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

In May 2018, one report noted that Senate Appropriations Committee Vice Chairman Patrick Leahy had asked the State Department to withhold $105 million in FY2017 FMF funds, which are authorized until obligated until September 30, 2018.[51] Senator Leahy is reportedly seeking, among other things, Egyptian compensation for April Corley, an American citizen who was injured in a 2015 Egyptian air strike that mistakenly hit a group of tourists in Egypt's western desert.

For FY2019, the President is requesting a total of $1.381 billion in foreign assistance for Egypt, the same amount it requested the previous year. Nearly all of the requested funds for Egypt would come from the FMF account. For FY2018, the Consolidated Appropriations Act, 2018 (P.L. 115-141) provided a total of $1.419 billion U.S. military and economic aid to Egypt, which is the same amount Egypt received in FY2017. The Act continued to authorize ESF assistance for the Egyptian-American Enterprise Fund.[52] It also authorized FY2018 ESF and prior-year ESF to subsidize the costs of providing new U.S. loan guarantees to Egypt.

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 FY2019. The $75 million FY2019 request for Egypt is well below prior year appropriations; Egypt has not received less than $100 million in annual U.S. economic assistance since the late 1970s.

Conditioning U.S. Aid to Egypt

Egypt's poor human rights record has sparked regular criticism from U.S. officials and some Members of Congress and, since FY2012, Members have 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.

Section 7041(a) of P.L. 115-141, the Consolidated Appropriations Act for FY2018, contains the most recent legislative language conditioning aid to Egypt. As in previous years, it requires that funds may only be made available when the Secretary of State certifies that the government of Egypt is sustaining the strategic relationship with the United States and meeting its obligations under the 1979 Egypt-Israel Peace Treaty. The Act also includes a provision that withholds $300 million of FMF funds[53] until the Secretary of State certifies that the Government of Egypt is taking effective steps to advance, among other things, democracy and human rights in Egypt.[54] The Secretary of State may waive this certification requirement, though any waiver must be accompanied by, among other things, an assessment of the Government of Egypt's compliance with United Nations Security Council Resolution 2270 and other such resolutions regarding North Korea. There has been some concern in the Administration and Congress over Egypt's alleged weapons procurement from North Korea in recent years.

Congress also has conditioned U.S. economic assistance to Egypt based on their continued concern over Egypt's persecution of democracy advocates and nongovernmental organizations

[51] "Congress Withholds Egypt Aid over Injured American," *Al Monitor*, May 3, 2018.

[52] For more background, see http://www.eaefund.org.

[53] The $300 million FMF withholding pending certification is an increase from prior years. In the FY2017 Omnibus, appropriators withheld 15% of FMF ($195 million) pending certification.

[54] The FMF certification requirement for Egypt in P.L. 115-31 does not apply to funds appropriated for counterterrorism, border security, and nonproliferation programs for Egypt.

(NGOs). The FY2018 Omnibus retained previous language withholding a portion of economic assistance to Egypt based on Egypt's legal persecution of foreign and local NGO workers in 2013.[55] The FY2018 Omnibus also includes a new limitation on ESF, stating that no FY2018 ESF or prior-year ESF "may be made available for a contribution, voluntary or otherwise, to the Civil Associations and Foundations Support Fund, or any similar fund, established pursuant to Law 70 on Associations and Other Foundations Working in the Field of Civil Work [informally known as the NGO law]."

[55] Section 7041(a)(2)(B) of the Consolidated Appropriations Act, 2018 (P.L. 115-141), as in previous years, withholds ESF that "the Secretary determines to be equivalent to that expended by the United States Government for bail, and by nongovernmental organizations for legal and court fees, associated with democracy-related trials in Egypt until the Secretary certifies and reports to the Committees on Appropriations that the Government of Egypt has dismissed the convictions issued by the Cairo Criminal Court on June 4, 2013, in Public Prosecution Case No. 1110 for the Year 2012."

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

Overview

Between 1946 and 2016, the United States provided Egypt with $78.3 billion in bilateral foreign aid (calculated in historical dollars—not adjusted for inflation).[56] 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.[57]

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 a specific amount of total U.S. aid pledged to Egypt over a certain time period.[58]

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

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[56] U.S. Overseas Loans and Grants, Obligations and Loan Authorizations, July 1, 1945-September 30, 2016.

[57] 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.

[58] 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).[59] 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 andsustaining 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*.[60] 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 prenotifications 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.

Realigning Military Aid from Conventional to Counterterrorism Equipment

For decades, FMF grants have supported Egypt's purchases of large-scale conventional military equipment from U.S. suppliers. However, as mentioned above, the Obama Administration announced that future FMF grants may only be used to purchase equipment specifically for

[59] 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.

[60] 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).

"counterterrorism, border security, Sinai security, and maritime security" (and for sustainment of weapons systems already in Egypt's arsenal).[61]

It is not yet clear how the Trump Administration will determine which U.S.-supplied military equipment would help the Egyptian military counter terrorism and secure its land and maritime borders. Overall, some defense experts continue to view the Egyptian military as inadequately prepared, both doctrinally and tactically, to face the threat posed by terrorist/insurgent groups such as Sinai Province. According to a former U.S. National Security Council official, "they [the Egyptian military] understand they have got a problem in Sinai, but they have been unprepared to invest in the capabilities to deal with it."[62] To reorient the military toward unconventional warfare, the Egyptian military needs, according to one assessment, "heavy investment into rapid reaction forces equipped with sophisticated infantry weapons, optics and communication gear ... backed by enhanced intelligence, surveillance and reconnaissance platforms. In order to transport them, Egypt would also need numerous modern aviation assets."[63]

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

- **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.[64] 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

[61] According to a 2015 GAO report on U.S. assistance to Egypt, DSCA "led a review of Egypt's FMF program to align current purchases with shared security interests and to make recommendations on whether to continue to support specific systems through FMF. As part of this review, DSCA identified some systems that did not directly align with shared security interests. These included some older, outdated, or third-party produced systems, such as Chinese-built submarines and Russian-made surface-to-air missiles, as well as U.S.-manufactured Gulfstream VIP aircraft and M1A1 tank kits. DSCA recommended continuing support for 18 of these systems totaling $6.5 billion, but identified 15 of these systems totaling $777 million that should be transitioned from FMF funds to Egyptian government funds or ended." See GAO-15-259, "EGYPT U.S. Government Should Examine Options for Using Unobligated Funds and Evaluating Security Assistance Programs," February 2015.

[62] "In Egypt, Furious Retaliation but Failing Strategy in Sinai," *New York Times,* November 25, 2017.

[63] "Egypt's Conventional Military Thinking," *Stratfor*, June 12, 2015.

[64] 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.

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.

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 FY2019. 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."[65] 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.[66]

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 programs. 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.[67] As these unobligated balances grew, it created pressure on the Obama Administration to re-obligate 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."[68] 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. Both are funded primarily through the Economic Support Fund (ESF) appropriations account.

Table A-1. U.S. Foreign Assistance to Egypt: 1946-2017

$'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

[65] 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.

[66] The George W. Bush Administration requested that Congress cut ESF aid by half in FY2009 to $200 million. Congress appropriated the President's request.

[67] 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.

[68] "US shifts Egypt aid to other countries," *Al Monitor*, October 16, 2016.

Year	Military	Economic	Annual Total
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
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

Year	Military	Economic	Annual Total
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	$274,031	$179,289,264	$179,563,295
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		$141,745,115	$141,745,115
Totals	**$45,829,536**	**$32,634,642**	**$78,464,177,834**

Source: U.S. Overseas Loans and Grants, Obligations and Loan Authorizations, July 1, 1945-September 30, 2016.

Notes: This chart does not account for the re-purposing of assistance funds which had been previously obligated for Egypt.

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