

# Egypt: Background and U.S. Relations

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## Egypt: Background and U.S. Relations

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 opened in 1869 and is one of the world's most critical maritime chokepoints, linking the Mediterranean and Red Seas. As of early 2022, an estimated 10% of global trade, including 7% of the world's oil, flows through the Suez Canal.

Egypt's population of more than 103 million people makes it by far the most populous Arabic-speaking country. Although today it may play a smaller political or military role in the Arab world than 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 limited, the Israeli and Egyptian governments have increased their cooperation against Islamist militants and instability in the Sinai Peninsula and Gaza Strip.

Since taking office, President Joseph Biden has balanced various considerations in his approach to U.S.-Egyptian relations, praising Egyptian diplomacy while signaling U.S. displeasure for Egyptian President Abdel Fattah al Sisi's continued domestic crackdown. In the nearly two years since the United States started facilitating the historic Abraham Accords between Israel and various Arab states, Egypt, which has maintained its peace treaty with Israel since 1979, has earned praise from U.S. officials by increasing its diplomatic outreach to Israel.

Russia's February 2022 invasion of Ukraine and the ensuing war have negatively affected Egypt's food security, economy, and national budget. As a result, Gulf Arab States, such as Saudi Arabia, the United Arab Emirates, and Qatar have pledged over \$22 billion in various forms of support to Egypt in some cases in return for stakes in Egyptian public entities and assets.

Since 1946, the United States has provided Egypt with over \$85 billion in bilateral foreign aid (calculated in historical dollars—not adjusted for inflation), with military and economic assistance increasing significantly after 1979. Annual appropriations legislation includes several conditions governing the release of these funds. 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. military aid to Egypt finances the procurement of weapons systems and services from U.S. defense contractors.

For FY2023, the Biden Administration has requested \$1.4 billion in bilateral assistance for Egypt, the same amount Congress appropriated the previous year. Nearly all of the U.S. funds for Egypt come from the Foreign Military Financing (FMF) account.

H.R. 8282, the House FY2023 Department of State, Foreign Operations, and Related Programs (SFOPs), bill would provide \$1.3 billion in FMF and not less than \$125 million in Economic Support Funds (ESF) for Egypt. The bill would withhold \$300 million in FMF from obligation unless the Secretary of State certifies that Egypt is meeting specific democracy-related conditions. Of the \$300 million withheld, the bill would allow the Administration to waive the withholding requirement on up to \$170 million in FMF. Unlike in previous years, the House-introduced SFOPs bill would not permit the Administration to exempt FMF from withholding for "counterterrorism, border security, and nonproliferation programs." That exemption had dated back to P.L. 113-76, the Consolidated Appropriations Act, 2014 (passed January 2014) and had been inserted in annual SFOPs legislation since then to allow for greater flexibility in providing FMF to Egypt.

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## Overview

As of summer 2022, Egypt, like many World Bank-classified lower middle income countries,<sup>1</sup> is feeling financial strain as a result of a confluence of crises. Russia's invasion of Ukraine, rising interest rates in the United States and Europe, and continued global supply chain strains resulting from the Coronavirus Disease 2019 (COVID-19) pandemic have all contributed to budgetary and inflationary pressures, forcing the Egyptian government to reevaluate longstanding policies while turning to foreign creditors for additional support.

**Figure 1. Map of Egypt**



**Source:** CRS Graphics, CIA World Factbook

As Egypt experiences these external shocks, it is attempting to modernize its economy and reassert itself diplomatically on the regional stage. Led by President Abdel Fattah al Sisi (hereinafter referred to as President Sisi), a former military officer who took power in a 2013 takeover that many observers termed a coup,<sup>2</sup> Egypt has embarked on a number of rebuilding projects, exemplified by the construction of the \$58 billion New Administrative Capital (NAC – **See Figure 1**). In November 2022, Egypt will host the United Nations Climate Change Conference (COP27) in Sharm el Sheikh. Military modernization also is ongoing, as Egypt has become the world's third-largest importer of weapons, acquiring fighter planes and warships from Russian and European suppliers.

<sup>1</sup> For World Bank country classifications by income, see Nada Hamadeh Catherine Van Rompaey and Eric Metreau, "New World Bank Country Classifications by Income Level: 2021-2022," July 1, 2021.

<sup>2</sup> Amid mass protests in 2013, the military deposed an elected president, suspended the constitution, and installed an interim president. The U.S. State Department did not issue a determination as to whether or not a coup occurred.

### Egyptian Population Growth

Egypt's population surpassed 103 million in 2022 and is predicted to rise as high as 160 million by 2050 (United Nations–World Population Prospects–2019). Population size, particularly in the Cairo metropolis, has contributed to overcrowded classrooms, unemployment, and crippling traffic.<sup>3</sup> A 2022 study commissioned by the Egyptian Senate warned that “runaway growth of population poses a serious threat to the country’s future, economic development, and national security.”<sup>4</sup>

Egypt’s renewed confidence, however, may mask systemic underlying challenges that could limit the extent of its regional influence. Economically, while Gross Domestic Product (GDP) has grown, even throughout the COVID-19 pandemic, poverty is pervasive—with the national rate at 29.7% (as of December 2020). Egypt’s national debt constitutes 94% of GDP, and servicing it takes up over a third of the national budget, limiting the state’s ability to invest in its citizenry’s well-being.

President Sisi has used broad legal authority granted to the executive by parliament to suppress opposition and perceived criticism. As discussed below, international human rights monitoring organizations rank Egypt toward the bottom globally on metrics such as democratic governance, free speech, and corruption.

Since taking office, President Joseph Biden has attempted to take a balanced approach to U.S.-Egyptian relations, praising Egyptian diplomacy while signaling U.S. displeasure for President Sisi’s continued domestic crackdown. In November 2021, the United States and Egypt conducted their first “Strategic Dialogue” since 2015. The year 2022 marks the centennial of the establishment of U.S.-Egyptian diplomatic relations, and both sides have been using the anniversary to reinvigorate bilateral ties.<sup>5</sup>

## 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). These four men have ruled Egypt with strong backing from the country’s security establishment almost continually. The one exception has been the brief period of rule by Muhammad Morsi, who was affiliated with the Egyptian Muslim Brotherhood (**see below**). That organization has opposed single party military-backed rule and advocated for a state governed by a vaguely articulated combination of civil and *sharia* (Islamic) law. In general, the Muslim Brotherhood has been the most significant and abiding opposition during the decades of military-backed rule.

The one departure from Egypt’s decades of military rule, the brief period in which Morsi ruled, took place between 2011 and 2013. Popular demonstrations dubbed 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 Morsi’s one-year presidency. When Morsi took office on June 30, 2012, after winning Egypt’s first truly competitive presidential election, his ascension to the presidency was expected to mark the end of a rocky 16-month transition period.<sup>6</sup> Proposed timelines for

<sup>3</sup> For more information, see “Egypt’s President Sisi Wants to Reshape its Cities,” *The Economist*, March 5, 2022.

<sup>4</sup> Gamal Essam El Din, “Egypt’s Strategy to Curb Runaway Population Growth,” *Al Ahram*, April 15, 2022.

<sup>5</sup> “Shoukry, Blinken Commemorate Centennial of Egypt-US Diplomatic Ties,” *Al Ahram*, April 13, 2022.

<sup>6</sup> David Kirkpatrick, “Named Egypt’s Winner, Islamist Makes History,” *New York Times*, June 24, 2012.

elections, the constitutional drafting process, and the military's relinquishing of power to a civilian government had been repeatedly 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.<sup>7</sup>

Since 2013, the power of President Abdel Fattah al Sisi has gone mostly unchallenged. President Sisi assumed office formally in June 2014 after winning a May 2014 election with 96% of the vote. In 2018, he was reelected for a second term, receiving 97% of all valid votes cast. Both elections were widely perceived as favoring Sisi.<sup>8</sup>

## Possible Issues for Congress

### The 2022 Russian-Ukraine War: Implications for Egypt

Egypt's position vis-a-vis Russia's 2022 invasion of Ukraine is one of neutrality; while Egypt voted in favor of the March 2022 United Nations General Assembly resolution demanding that Russia end its invasion of Ukraine, in its bilateral diplomacy, Egypt has not sanctioned Russia, and President Sisi continues to engage with Russian President Vladimir Putin. In June 2022, President Sisi personally attended the plenary session of the Saint Petersburg International Economic Forum. To the extent that Egypt has taken any definitive position on the conflict, beyond the initial U.N. resolution, it has done so through the medium of the Arab League. An Arab League statement released on February 28, 2022 called for dialogue to preserve security and end the fighting and did not condemn Russia's invasion.<sup>9</sup> The Arab League subsequently offered

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<sup>7</sup> "Egyptian Cabinet Vows to Disperse Pro-Morsi Protest Camps," *The Guardian* (UK), July 31, 2013.

<sup>8</sup> In 2014, Democracy International conducted an observation mission and concluded: "Unfortunately, although Egypt's constitution guarantees freedom of speech and association, continued suppression of political dissent and restrictions on fundamental freedoms have prevented free political participation and severely compromised the broader electoral environment. This environment made a genuinely democratic presidential election impossible." See, Democracy International, Egypt Presidential Election Observation Report, July 2014. In 2018, 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.

<sup>9</sup> Mohammed Abu Zaid, "Arab League Following Ukraine Developments with 'Great Concern,'" *Arab News*, February 28, 2022.

to mediate between Ukraine and Russia and sent a delegation to Moscow and Poland for consultations in April 2022.

From Egypt's perspective, its diplomatic ambiguity may reflect a reluctance to alienate the United States, Western Europe, and Russia - Egypt's primary sources for arms, trade, tourism, and credit.<sup>10</sup> In some ways, Egypt's diplomatic stance mirrors its stance throughout the Cold War, when it was a leading advocate of the Non-Aligned Movement.<sup>11</sup> Nevertheless, despite Egypt's diplomatic position, Russia's February 2022 invasion of Ukraine and the ensuing war have negatively affected Egypt's food security, economy, and national budget (see below).

### Egyptian-Russian Relations under Sisi

Since President Sisi came to power in 2014, he has strengthened Egypt's relationship with Russia. President Sisi turned to Russia during the Obama Administration, when the U.S.-Egyptian relationship became more strained (see the **Appendix**).<sup>12</sup> Egypt and Russia have strengthened their ties in a number of ways, including through arms deals and joint military exercises. To bolster Russia's support for political forces in eastern Libya, Egypt and Russia reportedly have a basing agreement allowing reciprocal access to airfields and airspace.<sup>13</sup> 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.

Various reasons could explain why Egyptian-Russian relations have improved under President Sisi, none of which are mutually exclusive. For one, President Sisi appears to have determined that Egypt's national security interests are best served by having global powers compete for Egypt's favor. As a lower-middle-income country with relatively high poverty and a military that relies on the appearance of strength for deterrence, Egypt seeks cost efficiencies for its military acquisitions. Part of Egypt's rebalancing of its foreign policy may be seen as a quest to secure the most advanced military hardware on the most generous financing terms available. With U.S. FMF grants relatively unchanged since 1987 (Congress has appropriated \$1.3 billion a year since then), the purchasing power of U.S. military aid has decreased substantially given the rising costs of major defense systems. Moreover, U.S. defense technology, particularly in fighter aircraft, has evolved to the point where Egypt either cannot afford the latest generation of U.S. fighters (such as the F-35), lacks the technical know-how to maintain them, or may be prohibited from purchasing certain items if they negate Israel's Qualitative Military Edge (QME).<sup>14</sup> Egypt has turned to Russia and France to source naval and air force acquisitions (including fourth-generation fighters, such as the Su-35 from Russia and the Rafale from France) while using U.S. assistance to maintain its existing stocks of U.S. materiel. According to Stockholm International Peace Research Institute (SIPRI), from 2000 to 2009, Egypt's major arms supplier was the United States, accounting for 75% of Egypt's total arms imports; however, from 2010 to 2019, U.S. arms imports accounted for 23% of Egypt's total arms imports.<sup>15</sup>

## Food Security

Declines in food commodity exports as a result of the Russian invasion of Ukraine are reducing supplies of some goods in international markets and leading to increases in prices for commodities and derived products. This trend poses challenge to importers of Ukrainian and

<sup>10</sup> Vivian Yee, "Egypt, America's Middle Eastern Ally, Maintains Warm Relations with Putin," *New York Times*, June 17, 2022.

<sup>11</sup> Ignatious Annor, "African States May Be Pushing to Revive Non-Aligned Movement, Analysts Say," *Voice of America*, April 13, 2022.

<sup>12</sup> "Analysis: Egyptian Air Force Modernization," *Jane's International Defence Review*, November 10, 2016.

<sup>13</sup> Adam R. Grissom, Samuel Charap, Joe Cheravitch, Russell Hanson, Dara Massicot, Christopher A. Mouton, and Jordan R. Reimer, *Russia's Growing Presence in Africa*, RAND Corporation, 2022.

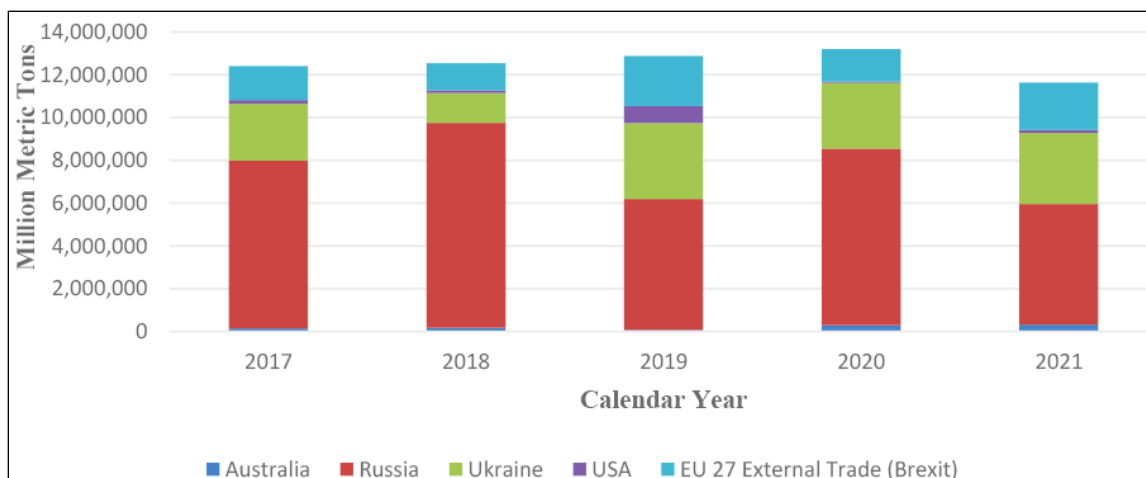
<sup>14</sup> See CRS Report R46580, *Israel's Qualitative Military Edge and Possible U.S. Arms Sales to the United Arab Emirates*, coordinated by Jeremy M. Sharp and Jim Zanotti.

<sup>15</sup> Alexandra Kuimova, "Understanding Egyptian Military Expenditure," SIPRI Background Paper, October 2020.



Russian commodities and foodstuffs as well as to those who purchase such goods sourced from other suppliers on the international market. In Egypt, the world's largest importer of wheat (more than 70% of which comes from Russia and Ukraine – **see Figure 2**), the government banned wheat and flour exports; meanwhile, Egypt's General Authority for Supply Commodities (GASC) has approved 16 countries-of-origin for its wheat imports and is negotiating with India, Argentina, Australia, Kazakhstan, and France for new purchase agreements on the spot market. GASC also is accepting wheat with a higher moisture content in order to adapt to tightened market conditions.<sup>16</sup> Though alternative suppliers are available, shipping costs are much higher than for wheat sourced from the Black Sea region.<sup>17</sup> As of May 2022, Russia's continued blockade of Ukrainian ports had left 300,000 metric tonnes (mts) of wheat purchased by GASC before the invasion undelivered (Egypt imported 4.7 million mts of wheat in 2021).<sup>18</sup>

**Figure 2. Egypt's Wheat Imports: 2017-2021**



**Source:** Trade Data Monitor LLC and U.S. Agriculture Department, Foreign Agricultural Service

For decades, Egypt has subsidized whole wheat flour bread (*aish baladi* in Egyptian Arabic), at a cost of an estimated several billion dollars annually.<sup>19</sup> The price of subsidized bread essentially has remained unchanged since the late 1970s (about one U.S. cent). When Egypt tried to lift the subsidy in 1977, riots ensued and hundreds of people were killed in clashes with police. Cuts to the bread subsidy could generate social unrest and pose a challenge to President Sisi. The government already has instituted price controls on the cost of unsubsidized bread.

On June 1, GASC announced one of its first international tenders since the start of the Ukraine invasion. Egypt plans to purchase 465,000 mts of wheat from Russia, Romania, and Bulgaria at a cost of \$480 per tonne, a 41% hike from Egypt's last tender before the invasion.<sup>20</sup> Several weeks later, GASC made its largest wheat purchase on the spot market since 2012, buying 815,000 mts

<sup>16</sup> "Egypt Raises Accepted Moisture Level for Imported Wheat," Reuters, May 26, 2022.

<sup>17</sup> One report notes how GASC contracted with a Japanese trading company based in the state of Washington for 60,000 metric tons of wheat, which had to be shipped from Vancouver to ports in Egypt. Jesse Newman and Patrick Thomas, "Countries Race to Avert Grain Crisis --- With Ukraine War Disrupting Wheat Trade, Soaring Prices put Poor Nations at Risk," *Wall Street Journal*, May 3, 2022.

<sup>18</sup> "About 300,000 T of Wheat Bought by Egypt Stranded in Ukraine -Trade," Reuters, May 17, 2022.

<sup>19</sup> "Egypt's Modest Fuel Price Rise Suggests heavy Subsidy," EIU, *Views Wire*, April 26, 2022.

<sup>20</sup> "Egypt's GASC Buys 465,000 tonnes of Wheat in Tender," Reuters, June 1, 2022.

of Russian, French, Romanian, and Bulgarian wheat.<sup>21</sup> In June 2022, the World Bank gave \$500 million in support to help the Egyptian government purchase additional stocks of wheat from abroad and increase its domestic grain storage capacity.<sup>22</sup> In June 2022, ambassadors representing G7 nations pledged to stand by their “commitment to support Egypt through this crisis caused by Russia’s war.”<sup>23</sup>

## **Debt, Inflation, and Gulf Aid**

While Russia’s 2022 invasion of Ukraine has been a major catalyst for the downturn in Egypt’s economy, it is not the only factor driving widespread fiscal concern. Prior to the war, Egypt had accrued significant foreign debt; deficit spending has supported subsidy programs, mega infrastructure projects, and social welfare programs to counter the effects of the COVID-19 pandemic. According to Egypt’s Central Bank, from 2014 to 2021, medium-and long-term external debt more than tripled to \$121.5 billion.<sup>24</sup> Nevertheless, prior to Russia’s invasion of Ukraine, Egypt had been considered a leading destination for emerging market capital due to its high yields on foreign currency-denominated and local bonds.<sup>25</sup>

However, Russia’s February 2022 invasion of Ukraine apparently changed the risk calculation for many investors. The Egyptian government estimates that \$20 billion in foreign capital fled the Egyptian bond market in early 2022, as investors moved money out of emerging markets and into U.S. Treasury bonds. According to Egypt’s finance minister, “The lesson we have learned (is that) you cannot depend on this type of investment. It is coming just to get high yields, and once there is a shock it leaves the country.”<sup>26</sup>

In order to reassure investors and keep exports competitive, the Central Bank devalued the Egyptian pound by 15% in March 2022. The devaluation, coupled with rising global food and fuel prices, has led to increased local inflation (13.5% in May 2022). To counter inflation, the Central Bank has raised interest rates several times.

As global monetary conditions tighten and interest rates rise in advanced markets like the United States, Egypt’s borrowing costs are set to increase. The national deficit for the coming fiscal year alone is anticipated to be \$30 billion.<sup>27</sup> Moody’s may downgrade Egypt’s credit rating, noting in late May 2022 that its outlook changed from stable to negative due to “the rising downside risks to the sovereign’s external shock absorption capacity in light of a significant narrowing in the foreign exchange reserve buffer to meet upcoming external debt service payments.”<sup>28</sup> From January to May 2022, Egypt paid \$24 billion to service its foreign debt (\$10 billion) and cover the withdrawal of funds by foreign investors (\$14 billion).<sup>29</sup>

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<sup>21</sup> “Egypt Buys 815,000 Tons of Wheat in Tender from France, Romania, Russia and Bulgaria,” *Al Ahram*, June 30, 2022.

<sup>22</sup> “World Bank to give Egypt \$500 Mln to Boost food Security,” Reuters, June 29, 2022.

<sup>23</sup> U.S. Embassy Cairo, G7 Ambassadors on Food Security: G7 Stand to Support Egypt in Grain Crisis Caused by Russia, June 14, 2022.

<sup>24</sup> “Egypt Faces Sharp Rise in Costs to Finance Proposed \$30 bln Deficit,” Reuters, May 16, 2022.

<sup>25</sup> Mirette Magdy, “Egypt Keeps the World’s Highest Real Interest Rate,” *Bloomberg*, April 28, 2021.

<sup>26</sup> “Egypt Can No Longer Depend on Hot Money for Budget: Finance Minister,” Reuters, June 27, 2022.

<sup>27</sup> Ibid.

<sup>28</sup> Sylvia Westall, “Egypt Risks First Downgrade Since 2013 as Moody’s Turns Negative,” *Bloomberg*, May 27, 2022.

<sup>29</sup> “Egypt Repays \$24 Billion to Cover Foreign Debt, Departing Investors,” Reuters, June 9, 2022.

In order to secure short-term capital for domestic investment and stabilize its foreign exchange reserves (\$33.4 billion as of June 2022), Egypt has turned to the Gulf Arab states and international financial institutions, such as the International Monetary Fund (IMF). Government talks with the IMF are ongoing, though Egypt has borrowed over \$20 billion from the IMF since 2016 and has already exceeded its credit quota.

To increase the prospects for an IMF program, Gulf Arab states (Saudi Arabia, the United Arab Emirates, and Qatar) have pledged well over \$22 billion in various forms of assistance (currency deposits in the Central Bank, joint investments).<sup>30</sup> However, unlike previous instances of Gulf largesse toward Egypt that mainly involved cash infusions, in 2022 Gulf Arab states are seeking to purchase Egyptian state-owned assets or private companies.<sup>31</sup>

## Egyptian Natural Gas Exports to Europe

With the EU poised to phase out purchases of Russian gas (150 billion cubic meters or bcm annually), Europeans are looking to various global suppliers to make up for lost supply. Egypt is the third-largest natural gas producer in Africa, following Algeria and Nigeria. Some economists believe that, if Egyptian capacity can be increased, Egypt has the potential to account for 5%-10% of Europe's natural gas import needs.<sup>32</sup> In June 2022, the EU signed a trilateral gas supply agreement with Egypt and Israel. Egypt currently imports Israeli natural gas (at 85bcm over a 15-year period) and will re-liquefy Israeli gas at its two liquefied natural gas terminals at Damietta port for re-export to Europe (in 2021 Israel exported 4.25bcm to Egypt).<sup>33</sup> However, lack of transport and processing capacity is a major challenge for Israel and Egypt in becoming significant suppliers to Europe. There are only two pipelines capable of transporting Israeli gas to Egypt, and Egypt's LNG facilities are working at maximum capacity to meet both domestic and foreign demand.<sup>34</sup> In 2021, Egypt exported 8.8bcm of natural gas. Israel is reportedly considering constructing a new onshore pipeline to Egypt.<sup>35</sup>

## Possible Egyptian Purchase of Russian Advanced Fighter Aircraft

Since 2018, there have been periodic reports of Egyptian plans to purchase Russian Sukhoi Su-35 Multi-Role Fighter Aircraft, a move that could potentially trigger U.S. sanctions under the Countering America's Adversaries Through Sanctions Act (CAATSA, P.L. 115-44).<sup>36</sup> The Su-35 is Russia's most advanced fighter aircraft. In May 2020, TASS Russian News Agency reported that Russian defense contractors had started production of the aircraft under a contract signed in

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<sup>30</sup> In November 2021, Saudi Arabia deposited \$3 billion in the Central Bank of Egypt. It has since extended that deposit and added \$2.3 billion more. In June 2022, the Saudi-based Islamic Trade Finance Corporation (ITFC) extended another \$3 billion in credit to Egypt. In June 2022, Saudi Arabia and Egypt signed joint investment deals worth \$7.7 billion. Qatar has pledged \$5 billion in various investments. Various UAE wealth funds and conglomerates (ADQ, Al Futtaim Group, Abu Dhabi Ports) also have pledged to invest several billion dollars in Egypt.

<sup>31</sup> "Egypt Gets Gulf Help Again as Eyes Turn to Currency Flexibility," Reuters, April 4, 2022.

<sup>32</sup> "Can Europe Fully Replace Russian Gas?" *Economist Intelligence Unit*, May 24, 2022.

<sup>33</sup> John Ainger and Alberto Nardelli, "EU, Egypt Near Gas Supply Deal in Shift Away From Russia," *Bloomberg*, June 3, 2022.

<sup>34</sup> Marc Espanol, "Egypt's Gas Imports from Israel Hit all-time High," *Al Monitor*, June 7, 2022.

<sup>35</sup> Ron Bousso and Ari Rabinovitch "Israel Considering New Pipeline to Boost Gas Exports to Egypt," Reuters, October 21, 2021.

<sup>36</sup> Countering Russian Influence in Europe and Eurasia Act of 2017, title II, Countering America's Adversaries Through Sanctions Act (CAATSA; P.L. 115-44). For additional background, see CRS Report R45415, *U.S. Sanctions on Russia*, coordinated by Cory Welt.

2018.<sup>37</sup> As of June 2022, U.S. officials have not publicly confirmed that Egypt and Russia are moving ahead with the deal.

Section 231 of CAATSA requires 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-on-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.<sup>38</sup> In December 2021, Indonesia abandoned plans to purchase 11 Su-35 fighters; in 2022 Indonesia purchased a combination of French Rafale fighters and U.S. F-15s.

While Egypt's procurement or possible procurement of Russian (and French) fighter aircraft has drawn media attention, U.S.-origin aircraft compose the largest component of Egypt's fixed-wing inventory, including around 200 F-16 variant combat aircraft. Egypt's diversification strategy is particularly challenging for its air force, which must balance different training and maintenance procedures for European, Russian, and U.S. platforms. For years, Egypt has sought to upgrade its U.S.-supplied combat fighter aircraft to more advanced platforms; Egypt may even have requested that the Trump Administration provide it with the F-35.<sup>39</sup>

To date, it is unclear how the Russian invasion of Ukraine might be influencing Egypt's possible decision to proceed with the Su-35 acquisition. During the invasion, Russia has flown numerous sorties using its advanced jets, allowing for some evaluation of its performance. Ukrainian forces, equipped with older generations of Russian combat jetfighters, have claimed to have shot down several Su-35s in air-to-air combat.

Biden Administration officials may perceive that the war in Ukraine could pose an opportunity for U.S. policymakers to persuade Egypt to abandon their pursuit of Russian combat aircraft. In mid-March 2022, outgoing U.S. Central Command (CENTCOM) Commander General Frank McKenzie stated at a Senate Armed Services Committee hearing that the United States may potentially sell the F-15 fighter aircraft to Egypt.<sup>40</sup> During a Senate Foreign Relations Committee hearing on the FY2023 Department of State budget request, Secretary of State Antony Blinken remarked in an exchange with Senator Murphy on Egypt military aid conditionality that:

This is a critical time too in the relationship with a number of countries, particularly countries that may be reconsidering their own relationships and potential dependencies on Russia. They're seeing how Russian military equipment is performing or not performing in Ukraine. They're seeing growing challenges to Russia being able to sustain and ultimately export its ... military equipment. They're making different decisions about the future. That presents a strategic opportunity for us when we want to make sure that we also have flexibility to take advantage of. But I completely share your focus on and concern about human rights, including in Egypt. It is, it will remain a central part of our policy even as we work to strengthen what is a -- a vital partnership for us.<sup>41</sup>

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<sup>37</sup> Derek Bisaccio, "Su-35 Production for Egypt Begins," *Defense and Security Monitor*, May 18, 2020.

<sup>38</sup> See U.S. State Department, Section 231 of CAATSA, at <https://www.state.gov/t/isn/caatsa/>.

<sup>39</sup> Ali Dizboni, Karim El-Baz, "Understanding the Egyptian Military's Perspective on the Su-35 Deal," *Fikra Forum*, The Washington Institute for Near East Policy, July 15, 2021.

<sup>40</sup> Senate Armed Services Committee, "The Posture of United States Central Command and United States Africa Command," hearing, March 15, 2022.

<sup>41</sup> Senate Foreign Relations Committee, "Review of the FY 2023 State Department Budget Request," hearing, April 26,

One recent report suggests that as of early 2022, Egypt may have still been planning on moving ahead with the Su-35 acquisition. According to a June 2022 report in *Africa Intelligence*:

US military intelligence has been keeping a wary eye on a small detachment of Egyptian pilots that travelled to Russia at the start of the year to be trained on handling the Su-35 air-defence fighter, the Sukhoi range's flagship.... In March [2022], Russian media published photos and videos of aircraft being assembled on Sukhoi's production lines in Russia in Komsomolsk-on-Amur sporting the Egyptian Air Force's characteristic camouflage markings. These sources believe 21 aircraft were produced.<sup>42</sup>

## Egyptian Cooperation with Israel

Following 30 years of intermittent war and enduring confrontation, Egypt's 1979 peace treaty with Israel remains one of the single most significant diplomatic achievements for the promotion of Arab-Israeli peace. Congress has long been concerned with the preservation of the peace treaty and has appropriated foreign assistance and exercised oversight to encourage both parties to maintain it. Since 2012, congressional appropriators have included a requirement in foreign operations appropriations legislation that before foreign aid funds can be provided to Egypt, the Secretary of State must certify that Egypt is meeting its obligations under the 1979 Egypt-Israel Peace Treaty.<sup>43</sup>

While people-to-people relations remain limited, Egypt and Israel have continued to find specific areas in which they can cooperate, such as containing the Palestinian group Hamas (a U.S.-designated terrorist organization) in the Gaza Strip, countering terrorism, and developing natural gas in the Eastern Mediterranean (**see sections below**).

Since 2020, when Israel reached various agreements to normalize or improve relations with the United Arab Emirates (UAE), Bahrain, Sudan, and Morocco (known as the "Abraham Accords"), there has been a noticeable increase in Israeli-Egyptian bilateral contacts and multilateral summits. In March 2022, Israel and Egypt announced the establishment of direct commercial flights between Tel Aviv and Sharm el Sheikh. Days later, Egypt hosted a trilateral summit between Israel, the UAE, and itself (**see Figure 3**). A week later, Israel hosted the Negev Summit, in which the foreign ministers of Egypt, the UAE, Bahrain, and Morocco attended. Reportedly, mutual concern over Iran drove Negev Summit attendees to agree to share real-time intelligence about Iranian drones.<sup>44</sup>

**Figure 3. Egypt Hosts Israel and the UAE**  
March 2022



**Source:** Egyptian Presidential Spokesman

2022; transcript via Bloomberg Government.

<sup>42</sup> "US Warnings Ineffective on Egypt's Su-35 Plans as Pilots Train in Russia," *Africa Intelligence*, June 8, 2022.

<sup>43</sup> See Section 7041(a)(1) of P.L. 117-103, the Consolidated Appropriations Act, 2022. In addition to sustaining the treaty, the certification also requires Egypt to sustain its "strategic relationship with the United States."

<sup>44</sup> Arie Egozi, "Iran Fears Push Israel, Arab Nations to Once-'Unthinkable' Security Partnerships," *Breaking Defense*, March 30, 2022.



## Egypt, Israel, and the Palestinians

Egypt's triangular relationship with Israel and Hamas in the Gaza Strip is complex. On the one hand, Israel and Egypt cooperate against Hamas in the Gaza Strip, as they have since Sisi's rise to power in 2013. In general, the Egyptian government is opposed to Islamist groups wielding political power across the Middle East.<sup>45</sup> On the Egyptian-Gaza border, Egypt has tried to thwart arms tunnel smuggling into Gaza<sup>46</sup> and has accused Palestinian militants in Gaza of aiding terrorist groups in the Sinai. On the other hand, in an acknowledgement of Hamas' entrenched rule in Gaza since 2007, Egypt couples its policy of containment with ongoing dialogue. Maintaining a relationship with Hamas has provided the Egyptian security and intelligence services an opportunity to mediate between Hamas and Israel and between Hamas and its rival Palestinian faction Fatah (led by Palestinian Authority President Mahmoud Abbas). Egypt, at times, has attempted to broker a long-term Israel-Hamas truce.<sup>47</sup> In a September 2021 speech, Israeli Foreign Minister Yair Lapid set forth Israeli conditions for a possible truce with Hamas, and said, "It's worth emphasizing the critical importance of Egypt in this whole process. It won't happen without the support and involvement of our Egyptian partners and without their ability to talk to everyone involved."<sup>48</sup>

Egypt controls the Rafah border crossing into Gaza, making Rafah the only non-Israeli-controlled passenger entryway into the Strip, which Egypt 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 to avoid sparking a humanitarian crisis on their border.<sup>49</sup> 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.<sup>50</sup>

### *The May 2021 Israel-Hamas Conflict and Egyptian Mediation*

In May 2021, a conflict took place between Israel and Hamas in which Palestinian militants fired rockets at Israeli populated areas, while Israeli forces targeted Hamas and other militants in the densely populated urban areas of Gaza. After 11 days of fighting that resulted in over 250 Palestinians killed and 12 deaths inside Israel, Egypt helped mediate a cease-fire. President Sisi also provided Gaza with humanitarian aid and pledged \$500 million for reconstruction (Qatar also pledged \$500 million). On May 20, President Biden extended "my sincere gratitude to

<sup>45</sup> "How Israel and Egypt are Coordinating on Gaza," *Al Monitor*, July 12, 2018.

<sup>46</sup> The Egyptian military has taken a number of steps to stop smuggling tunnel construction beneath the Egyptian-Gaza border. To date, it has destroyed numerous tunnels and created a "buffer zone" along the Gaza border by demolishing parts of Rafah city and flooding trenches in the area with seawater from the Mediterranean. The military also has erected concrete walls and barbed wire fencing along the buffer zone to protect against attacks from the Islamic State-Sinai Province. According to Human Rights Watch, which has criticized the military's actions, since 2013, a little less than one-quarter of all northern Sinai residents have been displaced or otherwise left the region as a result of the home demolitions and intensifying military hostilities. See, Human Rights Watch, "Egypt: Massive Sinai Demolitions Likely War Crimes," March 17, 2021.

<sup>47</sup> "Egypt Trying to Broker Broad Israel-Hamas Truce, Hamas Says," Associated Press, August 2, 2018.

<sup>48</sup> Israel Ministry of Foreign Affairs, FM Lapid addresses World Summit on Counter Terrorism, September 12, 2021.

<sup>49</sup> "For Hamas, Reconciliation with Egypt Worth More than Qatari Cash," *Al Monitor*, January 31, 2019.

<sup>50</sup> "New Gaza Crossing Raises Questions about Blockade Policies," *PolicyWatch #3205*, The Washington Institute for Near East Policy, October 23, 2019.

President Al Sisi and the senior Egyptian officials who played a critical role in this diplomacy.”<sup>51</sup> According to one account, “All of this is helpful for Palestinians—but it is more helpful still for Mr. Sisi’s reputation.”<sup>52</sup>

Since the 2021 conflict, President Sisi has called on the international donor community to pledge further reconstruction aid to Gaza. In the meantime, Egyptian military construction companies have been involved in removing rubble, repairing Gaza’s coastal road, and rebuilding housing. However, Russia’s invasion of Ukraine has reportedly slowed the pace of Egypt’s rebuilding efforts.<sup>53</sup> Building material costs have risen significantly since late February 2022, and Egypt has restricted the export of certain goods, such as cement.

As of June 2022, Egypt (Egyptian General Intelligence) has continued to serve as a mediator between Israel and Hamas as both sides negotiate over the infusion of additional reconstruction aid for Gaza and the return of Israeli civilians held in Gaza.<sup>54</sup> As in the aftermath of the three previous major Israel-Hamas conflicts (in 2008-2009, 2012, and 2014), Egypt, Israel, and other international actors face challenges in balancing Gaza’s humanitarian and economic needs with concerns that Hamas could divert money and supplies brought into Gaza for military purposes.

## Sinai Peninsula

Several terrorist groups based in the Sinai Peninsula (the Sinai) have been waging an insurgency against the Egyptian government since 2011. The Islamic State’s Sinai Province affiliate (IS-SP) is the most lethal terrorist organization in the peninsula.<sup>55</sup> Since its inception in 2014, IS-SP has attacked the Egyptian military continually, targeted Coptic Christian individuals and places of worship,<sup>56</sup> and occasionally fired rockets into Israel.

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. Moreover, the Egyptian Army has enlisted local Sinai tribes in what is known as the Sinai Tribes Union to help buttress its own forces. Israel also has supported Egyptian efforts with information sharing and coordinated air strikes.<sup>57</sup> The Egyptian government also has used non-military means, such as increased economic development in the Sinai, in an effort to win support amongst the local population. In 2021, the government inaugurated in northern Sinai the world’s largest agricultural wastewater treatment plant.

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<sup>51</sup> The White House, Remarks by President Biden on the Middle East, May 20, 2021.

<sup>52</sup> “Sisi Sees an Opportunity,” *The Economist*, Middle East & Africa, July 3, 2021, edition.

<sup>53</sup> Sanaa Alswerky, “Economic Fallout from the Russia-Ukraine War Hits Gaza Hard,” *Jerusalem Post*, March 21, 2022.

<sup>54</sup> Hamas is holding two Israelis captive, Hisham al Sayed and Avera Mengistu. Israel is demanding their return and the return of the remains of two soldiers killed in Gaza during the 2014 war. Hamas is demanding that Israel release an unknown number of high profile Hamas members from Israeli prison.

<sup>55</sup> 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.

<sup>56</sup> 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.

<sup>57</sup> James Trigg, “Islamic State Attack on Egyptian Forces Demonstrates Continued Insurgent Capabilities Despite Intensive Counterinsurgency,” *Jane’s Terrorism & Insurgency Monitor*, May 13, 2022.

Egyptian counterterrorism efforts in the Sinai appear to have reduced the frequency of terrorist attacks. According to one analysis, as of late 2021, fatalities from terrorist attacks in 2021 were 9% of the total number of deaths in 2017.<sup>58</sup> In June 2022, former Assistant Secretary of State for Near Eastern Affairs David Schenker wrote that “The Egyptian military finally appears to be making progress in rolling back the group. Not only have there been fewer attacks, but Cairo’s funneling of economic development funds to the peninsula has also generated some goodwill among the long-restive population.”<sup>59</sup>

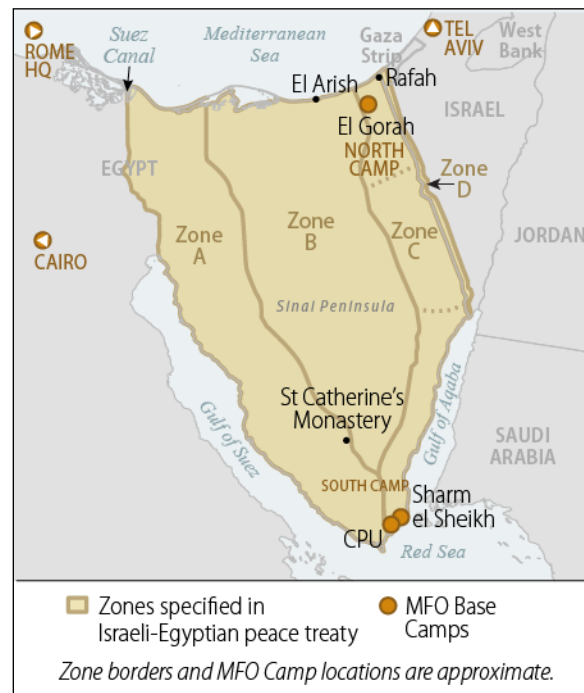
Though the pace of IS-SP attacks have dropped, other experts believe that IS-SP remains a significant security threat, especially when pitted against poorly trained Egyptian conscript soldiers serving in the Sinai. According to one report from *IHS Markit*, “Although militant capabilities have not returned to the levels of sophistication seen from 2014-16, the group has shown it still retains high level capabilities.”<sup>60</sup> In May 2022, IS-SP launched two separate attacks against Egyptian forces killing 16 people. Sinai militants used vehicle-borne improvised explosive devices (VBIEDs) and pickup trucks armed with machine guns to attack Egyptian soldiers. Afterward, the head of CENTCOM, General Michael E. Kurilla, offered to dispatch the head of U.S. counter-terrorism forces in the Middle East, U.S. Rear Admiral Mitchell Bradley, to Egypt for “guidance and additional assistance.”<sup>61</sup>

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 (known as the Agreed Activities Mechanism). 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 Multinational Force and Observers, or MFO, which are partially funded by the United States, are deployed in the Sinai to monitor the terms of the Israeli-Egyptian peace treaty (see **Figure 4**).

## Democracy, Human Rights, and Religious Freedom

Egypt’s record on human rights and democratization has sparked regular criticism

**Figure 4. The Sinai Peninsula**



**Source:** Multinational Force and Observers

<sup>58</sup> Ido Levy, “Egypt’s Counterinsurgency Success in Sinai,” *PolicyWatch*#3555, The Washington Institute for Near East Policy, December 9, 2021.

<sup>59</sup> David Schenker, “Egypt’s Remilitarized Sinai Is a Future Powder Keg,” *ForeignPolicy.com*, June 3, 2022.

<sup>60</sup> Jack Kennedy, “Terrorism in Egypt: Examining the Data and What to Expect in 2021,” *IHS Markit*, December 18, 2020.

<sup>61</sup> “Egypt, U. S. Eye Counter-Terrorism Ties in Wake of Deadly Sinai Attack,” *Reuters*, May 9, 2022.



from U.S. officials and some Members of Congress. The Egyptian government rejects foreign criticism of its human rights practices as illegitimate interference in Egypt's domestic affairs.<sup>62</sup> Certain practices of President 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 2021:

Significant human rights issues included credible reports of: unlawful or arbitrary killings, including extrajudicial killings by the government or its agents, and by terrorist groups; forced disappearance by state security; torture and cases of cruel, inhuman, or degrading treatment or punishment by the government; harsh and life-threatening prison conditions; arbitrary detention; political prisoners or detainees; politically motivated reprisals against individuals located in another country; arbitrary or unlawful interference with privacy; serious abuses in a conflict, including reportedly enforced disappearances, abductions, physical abuses, and extrajudicial killings; serious restrictions on free expression and media, including arrests or prosecutions of journalists, censorship, site blocking, and the abuse of criminal libel laws; serious restrictions on internet freedom; substantial interference with the freedom of peaceful assembly and freedom of association, including overly restrictive laws on the organization, funding, or operation of nongovernmental and civil society organizations; restrictions on freedom of movement, including travel bans imposed on human rights defenders, journalists, and activists; serious and unreasonable restrictions on political participation; serious government restrictions on domestic and international human rights organizations; and crimes involving violence or threats of violence targeting lesbian, gay, bisexual, transgender, queer, or intersex persons and use of the law to arrest and prosecute arbitrarily such persons.<sup>63</sup>

Egyptian authorities employ a host of legal authorities to suppress peaceful political opposition and civil society, including the following:

- **Emergency Law.** In October 2021 President Sisi suspended Egypt's state of emergency; Egypt had been in a near continuous state of emergency since 2017.<sup>64</sup> The 2014 constitution, as amended, limited the president's ability to declare an indefinite state of emergency, though the pro-government parliament had continuously approved three-month extensions of the president's emergency declarations (most recently in July 2021). Emergency powers, which were in effect for decades under the rule of the late Hosni Mubarak, enable the state to refer civilians to State Security Emergency Courts rather than civilian courts for various infractions. Despite President Sisi's suspension of Egypt's emergency state, under the 1958 Emergency Law (Number 162 of 1958), state security emergency courts must continue to examine current cases and those referred to them before the state of emergency had been lifted, though no new cases may be referred to emergency courts.<sup>65</sup>
- **Anti-terrorism law.** Egypt's 2015 anti-terrorism law has been widely criticized by human rights groups for creating a broad definition of terrorism that can be used by authorities to crack down against peaceful political opposition. According to one critique, "By writing into law a broad definition for terrorism and creating new prosecutorial and judicial mechanisms, the Counter-terrorism

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<sup>62</sup> "Egypt Calls on US not to Interfere in its Affairs," *The Middle East Monitor*, March 15, 2019.

<sup>63</sup> U.S. State Department, *2021 Country Reports on Human Rights Practices: Egypt*, April 12, 2022.

<sup>64</sup> For an overview of the Egypt's emergency law, see "Egypt's Emergency Law Explained," *Al Jazeera*, April 11, 2017.

<sup>65</sup> The Legal Agenda, "Ending Egypt's Perpetual State of Emergency: What Next?" December 13, 2021.

- Law expands the scope of acts that can be tried as terrorism; subjects even nonviolent, constitutionally protected actions of everyday citizens, journalists, and rights defenders to possible prosecution under terrorism legislation; and contributes to a culture in which national security concerns automatically trump human rights and legal obligations.”<sup>66</sup>
- **NGO Law.** For years, nongovernmental organizations (NGOs) operating in Egypt have charged that the government has used the legal system to restrict civil organizations from conducting lawful activities without government interference. Egypt’s Law #149 of 2019 on activities of nongovernmental organizations prohibits domestic and foreign NGOs from pursuing activities that violate “national security,” “public order,” “public morals,” and “national unity” without defining any of these terms.<sup>67</sup>

Authorities also restrict access to the internet, censor online content, and monitor private online communications.<sup>68</sup> In 2018, parliament passed amendments to the Media and Press Law that, among other changes, grant 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.”<sup>69</sup> The Egyptian government also has attempted to require that technology companies share their user data with authorities.<sup>70</sup> 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.<sup>71</sup>

Select international human rights, democracy, and development monitoring organizations provide the following global rankings for Egypt (see **Table 1**).

**Table 1. Democracy, Human Rights, and Development Indicators**

Issue	Index	Ranking
Democracy	Freedom House, Freedom in the World 2022	“Not Free”
Press Freedom	Reporters Without Borders, World Press Freedom Index 2022	168/180 Countries
Corruption	Transparency International, Corruption Perceptions Index 2021	117/180 Countries
Human Development	United Nations Human Development Programme, Human Development Index 2020	116/189 Countries

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

<sup>66</sup> The Tahrir Institute for Middle East Policy, “TIMEP Brief: Counter-Terrorism Law,” August 15, 2018.

<sup>67</sup> George Sadek, “Egypt: New Law Enacted Regulating Activities of Nongovernmental Organizations,” *Global Legal Monitor*, The Law Library, Library of Congress, September 11, 2019.

<sup>68</sup> See “The Eye on the Nile,” *Check Point Research*, October 3, 2019.

<sup>69</sup> “Egypt: Parliament Passes Amendments to Media and Press Law,” *Global Legal Monitor*, The Law Library, Library of Congress, August 6, 2018.

<sup>70</sup> Declan Walsh, “Dilemma for Uber and Rival: Egypt’s Demand for Data on Riders,” *New York Times*, June 10, 2017.

<sup>71</sup> “Egypt: Ministerial Resolution Issued to Regulate Activities of Ride-Sharing Companies,” *Global Legal Monitor*, The Law Library, Library of Congress, October 22, 2019.

## Gender Equality

Despite a constitutional provision affirming gender equality, Egyptian women do not enjoy the same legal rights and opportunities as men and experience widespread discrimination.<sup>72</sup> The World Economic Forum ranks Egypt 129<sup>th</sup> of 156 countries on the Global Gender Gap index; the country performs in the bottom 10 countries on the measure of women's economic participation and opportunity. Men participate in the labor force at more than three times the rate of women in Egypt (75.2% compared with 20% for women), and less than 10% of firms have women in top management positions.<sup>73</sup>

According to the World Bank's Women, Business, and the Law index, an annual study that evaluates the laws and regulations that affect women's economic opportunity in 190 economies, Egypt's score of 50.6 is lower than the regional Middle East and North Africa (MENA) average of 53.1. However, the 2022 report notes that Egypt for the first time issued a regulation (Decree No. 827/2021) to establish a help center for women victims of domestic violence.<sup>74</sup>

Violence against women and rampant sexual harassment persist in Egypt. According to a 2017 survey, nearly two-thirds of men in Egypt have sexually harassed women or girls in public.<sup>75</sup> Child marriage and female genital mutilation or cutting (FGM/C) are both practiced to some extent, despite laws against them. According to Amnesty International, "Authorities continued to prosecute women social media influencers for how they acted, dressed and earned money on social media apps."<sup>76</sup>

## Coptic Christians

Most Egyptians are Sunni Muslims, but a relatively small percentage (perhaps 5% or less) are Coptic Christians, and this minority has faced discrimination and persecution, from the government as well as from other citizens and terrorist groups. Congress has at times urged the government of Egypt to protect this community, which is the largest population of Christians remaining in any single country in the Middle East and North Africa region. For example, in the 117<sup>th</sup> Congress, H.Res. 117, among other provisions, would urge the Government of Egypt to enact "serious and legitimate reforms in the public sector, athletics, and society to ensure Coptic Christians are given the same rights and opportunities as all other Egyptian citizens."

For years, the Coptic Christian community in Egypt has called for equal treatment under the law.<sup>77</sup> 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

<sup>72</sup> Op. cit., U.S. State Department, *2021 Country Reports on Human Rights Practices: Egypt*, April 12, 2022.

<sup>73</sup> World Economic Forum, *Global Gender Gap Report 2021*, March 2021.

<sup>74</sup> World Bank, *Women, Business, and the Law 2022*, data as of October 1, 2021.

<sup>75</sup> Miriam Berger, "The Car Ad Tried to Extol its HD Camera. Instead, it Promoted Sexual Harassment in Egypt, Critics Say," *Washington Post*, December 30, 2021.

<sup>76</sup> Amnesty International, *Amnesty International Report 2021/2022 State of the World's Human Rights*, Egypt, 2022.

<sup>77</sup> In late 2019, an Egyptian Coptic woman won a landmark inheritance case before the Cairo Court of Appeal. The court granted the plaintiff, a Coptic Christian woman, a share of her late father's inheritance equal to that of her two male brothers by applying Christian Orthodox Personal Status Bylaws rather than Islamic law (which grants sons twice the share of daughters). The plaintiff had argued that, per the Egyptian Constitution of 2014, she should not be subject to Islamic law in matters related to family law. See George Sadek, "Egypt: Court Grants Christian Woman Share of Father's Estate Equal to Share of Her Two Brothers," *Global Legal Monitor*, The Law Library, Library of Congress, January 9, 2020.

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.”<sup>78</sup>

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 2022 U.S. Commission on International Religious Freedom report, “Acts of violence against individual Coptic victims, especially in rural areas, occurred in social environments with persistent imbalances in the treatment of perpetrators from the Muslim majority and their Coptic victims.”<sup>79</sup>

Terrorist attacks against Christian places of worship also continue to threaten the Coptic community. Suicide bomber attacks against Coptic cathedrals in 2011, 2016, and 2017 collectively killed over 95 people and injured hundreds of others. In April 2021, IS-SP posted a video depicting the group’s murder of a 62-year-old Copt from Bir al Abd in North Sinai.

Coptic Christians also have long voiced concern about state regulation of church construction. They have demanded that the government reform long-standing laws (some dating back to the nineteenth century) 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,<sup>80</sup> some sources report that the approval process for new Coptic houses of worship is proceeding too slowly.<sup>81</sup>

## Domestic Developments

### Domestic Politics

President Abdel Fattah al Sisi’s tenure appears to have been predicated on the idea that a sufficient 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 extent to which Egyptians’ political quiescence reflects endorsement of military rule or strategic silence in the face of suppression is impossible to quantify, given the closed political environment enforced by the current government. The authorities have limited dissent by maintaining a constant crackdown, which initially was aimed at the Muslim Brotherhood, but has evolved to cover a broader range of political speech, encompassing anyone criticizing the government.

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 arguably an unprecedented attempt to consolidate control over all branches of government while stymying opposition to his rule. In April 2019, voters approved amendments to

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<sup>78</sup> “Egypt’s Sisi Opens Mega-Mosque and Middle East’s Largest Cathedral in New Capital,” Reuters, January 6, 2019.

<sup>79</sup> Annual Report of the U.S. Commission on International Religious Freedom, April 2022.

<sup>80</sup> “HH Pope Tawadros II: Church Construction Law Corrected an Error and Bandaged Wounds,” Coptic Orthodox Cultural Center, September 1, 2016.

<sup>81</sup> Mohamed Ezz, “Protests, Arrests in Minya Village Point to Longstanding Discriminatory Policies over Church Permits,” *Mada Masr*, February 10, 2022.

the constitution that extend President 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, President 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."<sup>82</sup> President Sisi also placed his older brother and oldest son in key security and intelligence positions, although his son is no longer in that role.<sup>83</sup>

Egypt's bicameral parliament consists of a 596-member House of Representatives (568 elected and 28 appointed by the president) and a 300-member Senate (200 of whom are elected, and 100 appointed by the president). According to Egypt's Political Rights Law, at least 25% of the elected seats in the House of Representatives are set aside for female candidates; 10% of all Senate seats are designated for women.<sup>84</sup> Women's right to vote was recognized in 1956, and women currently constitute 27.7% of representatives in the lower parliament and 13% of seats in the upper house.<sup>85</sup>

**Figure 5. President Abdel Fattah al Sisi**



**Source:** Egyptian State Information Service.

Parliamentary elections took place in late 2020 amidst a turnout estimated at less than 30%. *Mostaqbal Watan* (translated as either Future of the Homeland or Nation's Future)<sup>86</sup> emerged as the leading pro-Sisi party, with 316 seats in the House. When parliament began its work in early 2021, it featured the most women legislators in Egypt's history. Egyptian lawmakers overwhelmingly support the president's legislative agenda, as *Mostaqbal Watan* has become the successor to the now-defunct National Democratic Party (NDP), the former pro-government party of the late Hosni Mubarak. According to one observer, "Sisi's circle is presenting a democratic, pluralistic picture of this outcome, but in truth the legislature will be dominated by one major party surrounded by small parties that serve as window dressing, thereby mimicking an opposition just enough to occasionally channel the public's frustration at socioeconomic conditions. This is straight from the Mubarak playbook."<sup>87</sup> The next parliamentary elections are expected to take place in 2025.

<sup>82</sup> "Fears Over Egypt's Judiciary Abound after Sisi Appointments," *Agence France Presse*, August 21, 2019.

<sup>83</sup> Reportedly, President Sisi has since removed his son Mahmoud from the deputy head of the GIS. According to one controversial report in the Egyptian publication *Mada Masr*, Mahmoud Sisi lost his position in the GIS after the president's inner circle concluded that his reputation was harmful to the Sisi regime. See "President's Eldest Son, Mahmoud al-Sisi, Sidelined from Powerful Intelligence Position to Diplomatic Mission in Russia," *Mada Masr*, November 20, 2019. After *Mada Masr* published this account, security services temporarily detained an editor and two journalists and confiscated their personal electronics. See "Egypt News Outlet Raided after Report on Sisi's Son," *Financial Times*, November 24, 2019.

<sup>84</sup> See, Gender Quotas Database, International Institute for Democracy and Electoral Assistance (International IDEA), Stockholm, Sweden.

<sup>85</sup> Inter-Parliamentary Union, Monthly Ranking of Women in National Parliaments, accessed September 9, 2021.

<sup>86</sup> The party's website is available in English at <https://mostaqbal-watan.org/en/>.

<sup>87</sup> Haisam Hassanein, "Egypt's New Parliament: Reopening Political Life, But Only So Far," *Policy Analysis*, The



## Egypt's Foreign Policy

Under President Sisi, Egypt's foreign policy has been more active after a period of dormancy during the latter years of the late President Hosni Mubarak and the tumultuous two-and-a-half-year transition that followed Mubarak's resignation.<sup>88</sup> While President Sisi has continued Egypt's longtime policy of playing an intermediary role between Israel and the Palestinians, Egypt under President Sisi has attempted to play a bigger role in the Eastern Mediterranean and the Red Sea. Since 2014, as Egypt has developed off-shore natural gas in the eastern Mediterranean, and President Sisi has modernized the Egyptian Navy and improved economic ties with Israel, Italy, Greece, and the Republic of Cyprus while also looking to deter regional rivals, such as Turkey. In January 2020, Egypt inaugurated a new base (Berenice) on the Red Sea which, according to one account, will allow Egypt to "project military power into the southern Red Sea."<sup>89</sup>

As part of President Sisi's strategy to revitalize Egyptian power in its immediate vicinity, it has maintained longstanding U.S.-Egyptian security ties while strengthening defense relationships with other actors.<sup>90</sup> 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, Italy,<sup>91</sup> and Germany.<sup>92</sup> Between 2017 and 2021, Egypt was the third-largest arms importer globally (after Saudi Arabia and India) with Russia, France, and Italy being Egypt's principal suppliers.<sup>93</sup>

Egypt also has been more active in the Middle East, specifically in Lebanon and Iraq, two countries where Iran exerts influence over some of the Shia Arab population. In Lebanon, which remains in the throes of a crippling economic and energy crisis, Egypt is planning to ship natural gas through Jordan and Syria to the Deir Ammar power plant in Lebanon.<sup>94</sup> Some U.S. lawmakers are concerned that such an arrangement would be, without a waiver, a violation of the Caesar

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Washington Institute for Near East Policy, January 26, 2021.

<sup>88</sup> From about 2000 to 2013, Egypt had turned inward, unable to either lend its support or unilaterally advance major U.S. initiatives in the region, such as the war in Iraq or the Israeli-Palestinian peace process. Moreover, the terrorist attacks of September 11, 2001, profoundly and negatively impacted how some U.S. policymakers viewed Egypt. Whereas the bilateral relationship had previously focused on promoting regional peace and stability, the 9/11 attacks reoriented U.S. policy during the George W. Bush Administration, as Americans considered the possibility that popular disillusionment from authoritarianism might contribute to terrorism. Egypt has been a key element of this reorientation, as several Egyptian terrorists helped form the original core of Al Qaeda. For example, see Nabil Fahmy, "Egypt in the World," *The Cairo Review of Global Affairs*, Summer 2012.

<sup>89</sup> Jeremy Binnie, "Egypt Inaugurates Major Red Sea Base Complex," *Jane's Defence Weekly*, January 16, 2020.

<sup>90</sup> The United States continues to fund the procurement of major defense systems. Since the start of the Biden Administration, the Defense Security Cooperation Agency (DSCA) has notified Congress of potential defense sales to Egypt worth an estimated \$6 billion. For a list of major arms sales notifications to Egypt, see <https://www.dscamilitary.com/tags/Egypt>.

<sup>91</sup> Italy has supplied the Egyptian Navy with two FREMM Frigates from the Italian defense contractor Fincantieri for an estimated \$1.4 billion. Egypt has also armed its Italian frigates with Aster-15 medium-range surface-to-air missiles. See, "Italy Advances Arms Deals with Egypt Despite Opposition," *Al Monitor*, March 27, 2021. A year earlier, Egypt purchased 24 AW149 and eight AW189 helicopters from Italian defense contractor Leonardo for \$957 million. See Gareth Jennings, "Italy Reveals Leonardo Helo Sales to Egypt," *Jane's Defence Weekly*, May 21, 2020.

<sup>92</sup> ThyssenKrupp Marine Systems (TKMS) is supplying the Egyptian Navy with four Type 209/1400mod submarines (for \$1.7 billion). The same German company also is providing the navy with MEKO A-200 frigates. Egypt is procuring VL MICA NG surface-to-air missiles from MBDA to protect these new frigates.

<sup>93</sup> "Trends in International Arms Transfers, 2021," Stockholm International Peace Research Institute (SIPRI), March 2022.

<sup>94</sup> "Lebanon to get Egyptian Gas via Syria in Plan to Ease Crisis," Reuters, September 8, 2021.

Syria Civilian Protection Act of 2019 (P.L. 116-92, Title LXXIV). The Administration claims that Egypt's gas transfer to Lebanon via Syria is an "in-kind" transfer and will not involve any "cash transfer" to Assad government.<sup>95</sup> Lebanon is hoping that the combination of imported Egyptian gas and Jordanian electricity will enable it to increase its electrical supply from a few hours a day to up to 10 hours.<sup>96</sup> In 2021, President Sisi became the first Egyptian president to visit Baghdad in 30 years. Egypt, Iraq, and Jordan have agreed to expand various types of energy and military cooperation, as well as trilateral trade and investment.<sup>97</sup>

## Water and Climate Change

Egypt's high temperatures, lack of rainfall, low-lying delta regions, and reliance on the Nile River make it water scarce and susceptible to the effects of global warming, such as extreme heat waves, coastal flooding, and loss of agricultural productivity.<sup>98</sup>

### 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.<sup>99</sup> 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.<sup>100</sup> These include rising sea levels, 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.<sup>101</sup> 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."<sup>102</sup>

The Egyptian government's record on taking steps to address climate change is mixed. On the one hand, decarbonization is difficult when a significant portion of the economy is dedicated to oil and natural gas extraction and production. According to the U.S. Department of Commerce, hydrocarbon production is "by far the largest single industrial activity in the country, representing around 24 percent of total GDP in FY 2019-2020."<sup>103</sup>

<sup>95</sup> Rachel Oswald, "Senators Signal Skepticism toward Biden's Syria Policy," *CQ News*, June 8, 2022.

<sup>96</sup> "Lebanon, Egypt to Sign 'Final' Gas Deal on June 21 – Spokesperson," Reuters, June 17, 2022.

<sup>97</sup> "Is Egypt Back as a Power Player in the MENA Region?" *Fanack.com*, August 30, 2021.

<sup>98</sup> See CRS In Focus IF11878, *Climate and Security in the Middle East and North Africa*, by Jeremy M. Sharp, Nicole T. Carter, and Kezee Procita.

<sup>99</sup> 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.

<sup>100</sup> 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.

<sup>101</sup> 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).

<sup>102</sup> IPCC, *IPCC Special Report on the Ocean and Cryosphere in a Changing Climate*, in press, September 24, 2019, p. 4-61.

<sup>103</sup> U.S. Commerce Department, International Trade Administration, Country Commercial Guide, Egypt, September 5, 2021.

On the other hand, as Egypt prepares to host the 2022 United Nations Climate Change Conference (COP27), it has accelerated national climate adaptation efforts. At COP26, President Sisi pledged to double Egypt's use of renewable energy from 20% to 42% and reduce subsidies for fossil fuels.<sup>104</sup> In May 2022, the government published the National Strategy for Adaptation to Climate Change and Disaster Risk Reduction, a broad-based plan to sustain economic growth while transitioning to a low-emissions economy. With support from the International Finance Corporation, Egypt has built one of the world's largest solar parks at Benban in Aswan. An Israeli company provides solar panel-cleaning robots to service the power plant.<sup>105</sup> Egypt also has built two wind farms (Ras Ghareb and West Bakr) in partnership with several foreign companies.

## The Nile River

Egypt relies on the Nile River<sup>106</sup> (see **Figure 6**) for hydroelectricity, agriculture, and most of its domestic water needs, and thus treats restrictions to the flow of the Nile from upstream countries as an existential issue. According to the United Nations, "Egypt's dependency ratio is one of the world's highest with 96.9 percent of the total renewable water resources flowing into the country from neighboring countries. The total renewable water resources per capita stands at 700 m<sup>3</sup>/year/capita in 2014, but considering population growth is expected to drop below the 500 m<sup>3</sup> threshold of absolute water scarcity by 2030."<sup>107</sup> Experts expect climate change to increase the frequency of hot and dry years for farmers along the Nile.<sup>108</sup>

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<sup>104</sup> U.S. State Department, Secretary Antony J. Blinken and Egyptian Foreign Minister Sameh Shoukry Opening Remarks for the U.S.-Egypt Strategic Dialogue, November 8, 2021.

<sup>105</sup> George Mikhail, "Israel Eyes Solar Opportunities in Egypt," *Al Monitor*, November 30, 2021.

<sup>106</sup> The Nile is the longest river in the world (4,184), stretching from Kenya's Lake Victoria to the Mediterranean Sea. The Blue Nile and White Nile merge in Sudan before flowing into Egypt.

<sup>107</sup> Food and Agriculture Organization of the United Nations (FAO), FAO. 2016. AQUASTAT Country Profile—Egypt.

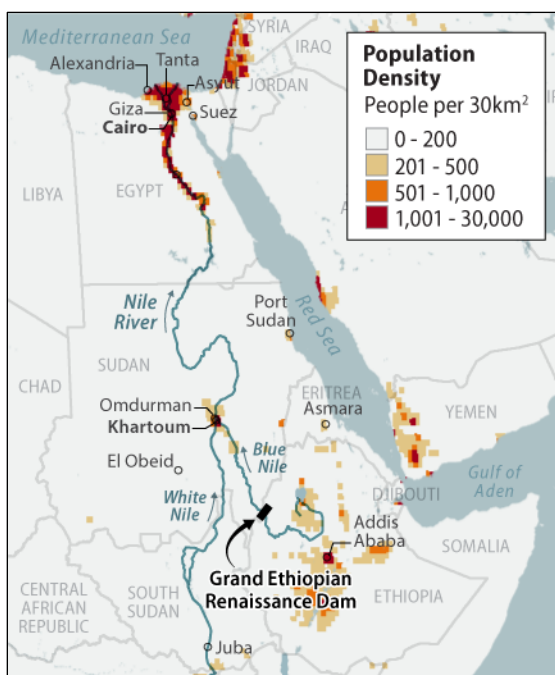
<sup>108</sup> Declan Walsh and Somini Sengupta, "For Thousands of Years, Egypt Controlled the Nile. A New Dam Threatens That," *New York Times*, February 9, 2020.



The government has been at odds with Nile Basin countries to Egypt's south that seek to revisit colonial-era treaties governing the allocation of Nile waters. Tensions are particularly strong with Ethiopia (population 110 million), which operates the \$4.2 billion Grand Ethiopian Renaissance Dam (GERD), a major hydroelectric project on the Blue Nile, which starts in Ethiopia. Egypt argues that the dam, once filled, will limit the flow of the Nile below Egypt's share,<sup>109</sup> as agreed upon in a 1959 Egyptian deal with Sudan (of which Ethiopia was not part).<sup>110</sup> Ethiopia claims that the dam, which would double its electricity generating capacity, is critical to its efforts to eradicate poverty.

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, particularly during prolonged droughts.<sup>111</sup>

**Figure 6. The Nile River**



Source: CRS Graphics.

## U.S.-Egyptian Relations

### Key Components

At a broad level, the United States views the stability of Egypt, the most populous country in the Middle East, as pivotal to regional stability, and therefore maintains a decades-long security partnership to strengthen Egypt's armed forces and its ability to combat terrorism.<sup>112</sup> In April 2021, Egypt joined the U.S. Naval Forces Central Command's Combined Maritime Forces,<sup>113</sup> a 34-nation naval partnership to combat terrorism, prevent piracy, and encourage regional cooperation. In September 2021, 600 U.S. service personnel from CENTCOM participated in Operation Bright Star, a biennial multinational military training exercise cohosted by the United

<sup>109</sup> "Egypt Denounces Ethiopia for Moving Ahead with Nile Dam Amid Water: Shortage Fears," Reuters, October 3, 2019.

<sup>110</sup> 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. The 1959 agreement revised Egypt's share of the Nile waters upward from a previous arrangement reached between Egypt and the British colonial authorities in Sudan, which also excluded Ethiopia.

<sup>111</sup> Eric Reguly, "Why Egypt Sees a Massive Dam in Ethiopia as a Matter of Life and Death," *The Globe and Mail* (UK), June 7, 2022.

<sup>112</sup> U.S. State Department, Joint Statement on the U.S.-Egypt Strategic Dialogue, November 9, 2021.

<sup>113</sup> See <https://www.cusnc.navy.mil/Combined-Maritime-Forces/>.

States and Egypt that, since the early 1980s, has helped foster the interoperability of U.S. and Egyptian forces.<sup>114</sup>

Another key U.S. component of U.S.-Egyptian military cooperation has been expedited naval access through the Suez Canal. The Egyptian government has long provided U.S. warships with the courtesy of front-of-the-line access to the Canal for expedited passage.<sup>115</sup> After the March 2021 temporary blockage of the canal by a stranded container ship, U.S. officials have reiterated the importance of open access to the canal for commercial trade and military operations.<sup>116</sup>

Successive Administrations also have expressed admiration for Egypt's role in Middle East peacemaking (see the "Egypt, Israel, and the Palestinians" section above). According to U.S. Ambassador to Egypt Jonathan Cohen, "The U.S.-Egypt strategic partnership is vital to both nations and spans decades. We have cooperated with one another every day, across the administrations of eight U.S. presidents on a wide agenda which began with Egypt's pioneering role in promoting Middle East peace."<sup>117</sup> Since 1982, the United States has continued to participate in the Sinai Peninsula peacekeeping and monitoring mission, known as the Multinational Force and Observers (MFO).<sup>118</sup>

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<sup>114</sup> U.S. Defense Department, United States Central Command, Readout from Gen. McKenzie's Visit to Egypt, September 11, 2021.

<sup>115</sup> While the Suez Canal Transit Authority provides the U.S. Navy with expedited passage, the United States, like other foreign nations transiting the canal, pays the authority fees for transit, tug boat assistance, late fees, and port dues.

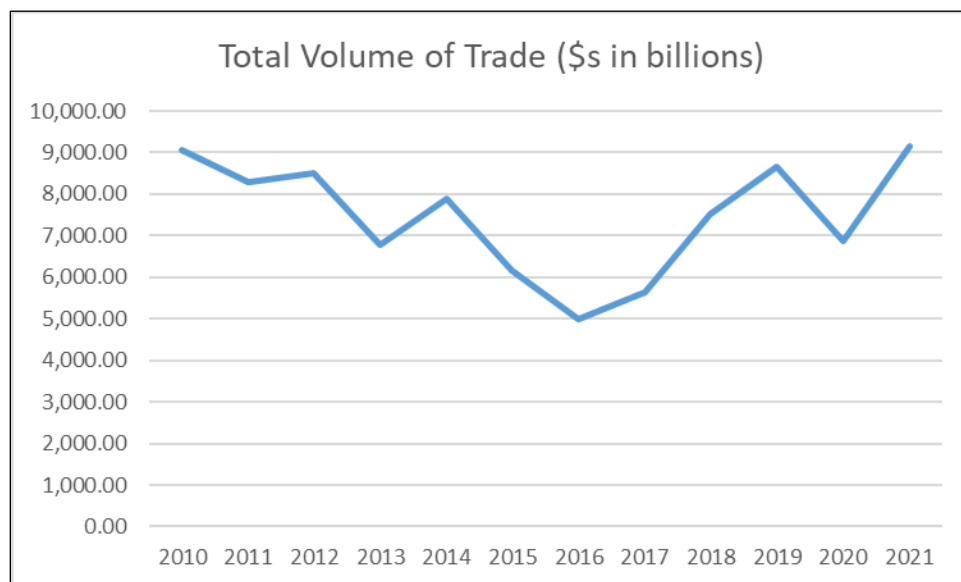
<sup>116</sup> See testimony of Amanda Dory, Acting Under Secretary of Defense for Policy, Department of Defense, House Armed Services Committee Hearing entitled "National Security Challenges and U.S. Military Activities in the Greater Middle East and Africa," April 20, 2021. See also John Bowden, "Pentagon: Suez Canal Stoppage May Impact Transit of Military Vessels," *The Hill*, March 28, 2021.

<sup>117</sup> Hany Assai, "INTERVIEW: US Ambassador to Cairo says strategic partnership vital to both nations, spans decades," *Al Ahrām*, July 4, 2021.

<sup>118</sup> See CRS Insight IN11403, *Possible Withdrawal of U.S. Peacekeepers from the Sinai Peninsula*, by Jeremy M. Sharp. P.L. 116-283, the William M. (Mac) Thornberry National Defense Authorization Act for Fiscal Year 2021, includes Section 1292, which requires the Secretary of Defense to notify Congress of any planned withdrawal of U.S. troops that would bring total U.S. military participation in the MFO below 430 soldiers.

**Figure 7. U.S.-Egyptian Bilateral Trade 2010-2021**

not seasonally adjusted



Source: U.S. Census Bureau

Though military-to-military relations remain the backbone of the bilateral relationship, the United States and Egypt seek opportunities to expand trade and investment deemed mutually beneficial. Despite having the largest population in the Middle East, Egypt ranks as the region's fifth-largest economy by GDP (behind Turkey, Saudi Arabia, the UAE, and Israel). By total 2021 volume of trade, Egypt ranks as the 49<sup>th</sup>-largest U.S. trading partner, at \$9.1 billion (see **Figure 7**).<sup>119</sup> Egypt is the largest export market for U.S. goods in Africa.

The United States has a trade surplus with Egypt and exports wheat and corn, mineral fuel and oil, machinery, aircraft, and iron and steel products. U.S. imports from Egypt include apparel, natural gas and oil, fertilizers, textiles, and agricultural products.<sup>120</sup> According to the U.S. Department of Commerce's Egypt Country Commercial Guide, U.S. foreign direct investment (FDI) in Egypt was \$1.37 billion in 2019 (latest data available), making the United States the third-largest foreign investor in Egypt, behind the United Kingdom and Belgium. Most FDI from the United States is concentrated in the oil and natural gas sectors.<sup>121</sup>

## U.S. Concerns about Domestic Egyptian Developments

Various U.S. concerns about Egypt's internal security, political repression, and social stagnation complicate longstanding bilateral military and economic cooperative endeavors. After nearly a decade of terrorist attacks and insurgent warfare, the Sinai Peninsula continues to be an area of

<sup>119</sup> See, U.S. Commerce Department, United States Census Bureau, Bureau of Economic Analysis, U.S. International Trade in Goods and Services, Annual Revision, Release Number: CB 22-92, BEA 22-23, Exhibit 13. U.S. Trade in Goods by Country and Area: 2021, June 7, 2022. Trade statistics generated by Trade Data Monitor, LLC using trade information from Egypt's Central Agency for Public Mobilization and Statistics (CAPMAS).

<sup>120</sup> U.S. State Department, U.S. Relations with Egypt, Bilateral Relations Fact Sheet, Bureau of Near Eastern Affairs, September 20, 2019.

<sup>121</sup> U.S. Commerce Department, International Trade Administration, Egypt Country Commercial Guide, Updated September 5, 2021.

significant concern to U.S. policymakers. According to the latest U.S. State Department Report on Terrorism, “All terrorist attacks in Egypt during the year took place in the Sinai Peninsula....ISIS-Sinai Province conducted regular small arms and IED attacks against security forces, civilians, and critical infrastructure.”<sup>122</sup>

Beyond the spate of violence emanating from the Sinai is concern over Egypt’s dynamism as a 21<sup>st</sup>-century nation state that meets the growing demands of its educated and interconnected youth. According to Tamara Cofman Wittes, President Biden’s nominee for the United States Agency for International Development’s (USAID) Assistant Administrator for Middle East:

Even in the face of a relationship that has today as many differences as areas of agreement, many parts of the United States government continue to view the nation of Egypt as ‘too big to fail.’ There is good reason for this view. Egyptians represent a full one-fifth of the entire Arab world. An economic or political disruption in Egypt would, as it did in 2011, have profound effects across the region.<sup>123</sup>

As previously mentioned, Egyptian state finances are straining under the weight of its public debt, which, as of July 2022, was equal to 94% of GDP. According to the *Economist Intelligence Unit*, the single largest expenditure in Egypt’s state budget is interest payments on domestic and foreign debt, accounting for a third of total spending (\$37 billion).<sup>124</sup> Once government salaries, subsidy payments, and interest are taken into account, analysts note that the state has insufficient resources remaining for spending on health and education.<sup>125</sup> President Sisi himself has acknowledged that the social contract between state and citizen may need adjusting. According to Sisi, “There is an entrenched culture unique to our country that one can buy things and receive services for less than they cost, and have children and expect someone else to feed them... This has held the country back in recent years.”<sup>126</sup>

The IMF has repeatedly lent Egypt funds with the stipulation that it cuts spending on food and fuel subsidies, changes that successive Egyptian governments have been slow to make because of fear of igniting popular unrest. The IMF also has emphasized that in order for Egypt to unlock its growth potential, Egypt’s private sector needs to grow and the state needs to reduce its role in certain sectors while “fostering labor market participation of women and youth, and encouraging exports.”<sup>127</sup> The state is attempting to sell unproductive state-owned enterprises to foreign entities or take certain state-owned companies public, including military-run businesses.<sup>128</sup>

Successive U.S. Administrations also have expressed concerns over the Sisi government’s continued crackdown against political dissent and nonviolent opposition. Biden Administration officials have reiterated this concern while attempting to maintain the uneasy balance of U.S. longstanding concern for human rights in Egypt with close ties to the military. At the November 2021 U.S.-Egypt Strategic Dialogue between high level U.S. and Egyptian officials, U.S.

<sup>122</sup> U.S. State Department, Bureau of Counterterrorism, *Country Reports on Terrorism 2020: Egypt*.

<sup>123</sup> Testimony of Tamara Wittes, House Foreign Affairs Committee, Subcommittee on Middle East, North Africa, and International Terrorism, hearing entitled “Egypt Politics-Economics-Human Rights,” September 9, 2020.

<sup>124</sup> “Egypt’s 2022/23 Budget Based on Optimistic Assumptions,” ViewsWire, *Economist Intelligence Unit*, May 17, 2022.

<sup>125</sup> “Egypt Faces Sharp Rise in Costs to Finance Proposed \$30 bln Deficit,” Reuters, May 16, 2022.

<sup>126</sup> Tarek El Tablawy and Abdel Latif Wahba, “A Surging Population Brings Risks for Next Global Climate Talks Host,” *Bloomberg*, February 5, 2022.

<sup>127</sup> The International Monetary Fund, IMF Executive Board Completes the Second Review under the Stand-By Arrangement (SBA) for the Arab Republic of Egypt and Concludes 2021 Article IV Consultation, June 23, 2021.

<sup>128</sup> “Egypt Outlines Broad Plan to Sell State Assets,” Reuters, May 15, 2022.

Secretary of State Antony Blinken spoke about how U.S. officials intended to incorporate human rights concerns into its bilateral dialogue with Egypt, saying:

Third, our delegations and teams will discuss human rights. We very much welcome Egypt's launch of a national human rights strategy. We're committed to working together to advance key goals like reforming pretrial detention regulations, protecting the right to a free press and freedom of expression. There are also other issues of concern, more areas where positive steps can be taken, not because the United States or anyone else is asking, but because, as the foreign minister, the president said, it's what's in the interests of the Egyptian people. The work that Egypt is doing, the steps that are undertaken, are because it is good and right for the Egyptian people. As we discussed this morning, making tangible and lasting improvements on human rights is also essential to strengthening our bilateral relationship, and the United States will continue to support those efforts however we can.<sup>129</sup>

## Recent Action on U.S. Foreign Aid to Egypt

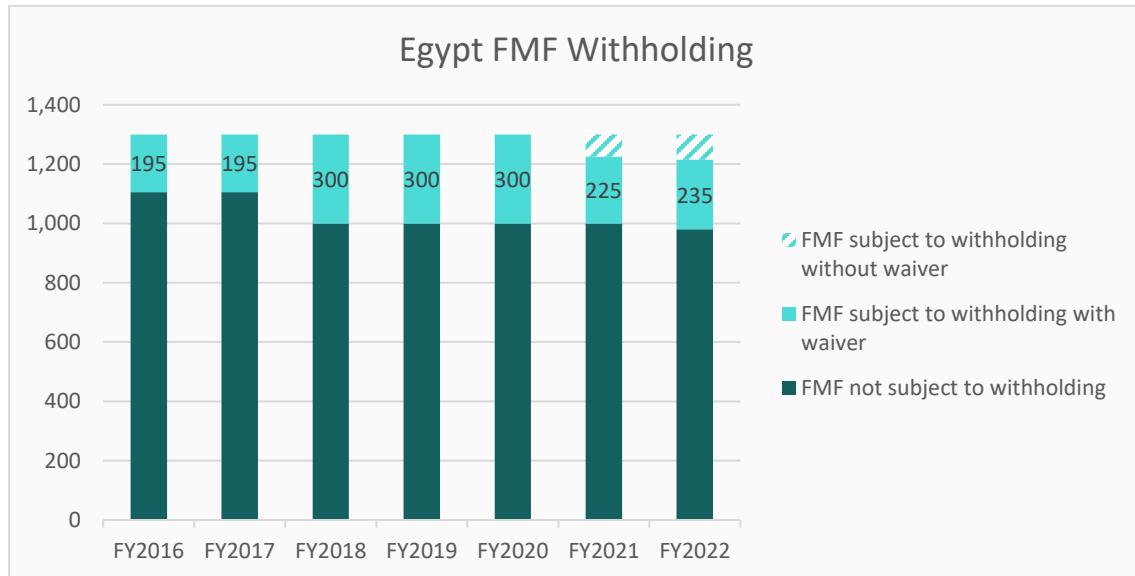
Egypt's record on human rights and democratization has sparked regular criticism from U.S. officials and some Members of Congress. Since FY2012, Congress has passed appropriations legislation that withholds the obligation of FMF to Egypt until the Secretary of State certifies that Egypt is taking various steps toward supporting democracy and human rights. Lawmakers have included a national security waiver to allow the Administration to waive these congressionally mandated certification requirements under certain conditions; however, starting in FY2021, Congress began withholding a portion of FMF without permitting it to be subject to a national security waiver (**see Figure 8**).<sup>130</sup> When Congress appropriates FMF to Egypt, it typically makes funds available for two years only.

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<sup>129</sup> *op. cit.*, U.S. State Department, Secretary Antony J. Blinken and Egyptian Foreign Minister Sameh Shoukry Opening Remarks for the U.S.-Egypt Strategic Dialogue, November 8, 2021.

<sup>130</sup> In FY2014, Congress did not provide a waiver for certification requirements but allowed for the obligation of tranches of aid for defined purposes and at defined rates if the executive branch could not make certain democracy and human rights-related certifications. For FY2015, Congress again linked aid tranches and rates to certain democracy and human rights-related certifications, but provided a waiver. From FY2012 through FY2022, Congress conditioned all U.S. assistance to Egypt by requiring the executive branch to certify that Egypt was meeting its commitments under the 1979 Egypt-Israel Peace Treaty and sustaining its strategic relationship with the United States.

**Figure 8. Egypt: Conditions on U.S. Military Assistance**  
current U.S. dollars in millions, appropriations



**Sources:** Prepared by CRS based on Foreign Military Financing (FMF) allocations and terms from annual SFOPS appropriations acts, FY2011-FY2022.

Congress appropriated \$1.3 billion in FMF for Egypt in FY2021 (see **Table 2**), \$1 billion of which was obligated by the Biden Administration in January 2022. As of mid-June 2022, and with only three-and-a-half months before the end of the fiscal year, the remaining \$300 million in FY2021 FMF had yet to be obligated.

In January 2022, the Biden Administration reprogrammed \$130 million in FY2020 FMF that it had withheld from obligation pending certain improvements it sought in Egypt's human rights record. Some lawmakers, such as Senator Chris Murphy, approved of the decision;<sup>131</sup> a coalition of human rights organizations also welcomed the Biden Administration's decision, but objected to the continued provision of military aid and arms sales.<sup>132</sup> Just days before the Administration's decision on aid reprogramming, it notified Congress of two possible Foreign Military Sales to Egypt worth an estimated combined \$2.5 billion. Soon after the Administration's decision, then CENTCOM Commander General Frank McKenzie remarked while on a trip to Egypt that "Compared to the amount of other money that's in play, it's a very small amount. But I think it's intended to be a signal....We still have a very robust weapons program with Egypt and we're still very heavily engaged with them."<sup>133</sup>

H.R. 8282 (117<sup>th</sup> Congress), the House FY2023 SFOPs bill, would provide \$1.3 billion in FMF and not less than \$125 million in ESF for Egypt. The bill would withhold \$300 million in FMF from obligation unless the Secretary of State certifies that Egypt is meeting specific democracy-related conditions. Of the \$300 million withheld, the bill would allow the Administration to waive the withholding requirement on up to \$170 million in FMF. Unlike in previous years, the House-introduced SFOPs bill would not permit the Administration to exempt FMF from withholding for

<sup>131</sup> Senator Chris Murphy, Press Release, Murphy Applauds the Biden Administration's Decision to Reprogram Aid to Egypt Due to Human Rights Concerns, January 28, 2022.

<sup>132</sup> Freedom House, Biden Administration's Decision to Reprogram Military Aid to Egypt Is Necessary but Insufficient, Joint Statement, February 1, 2022.

<sup>133</sup> "American General in Egypt for Talks after U.S. Cuts Military Aid," Reuters, February 9, 2022.

“counterterrorism, border security, and nonproliferation programs.” The provision permitting such exemptions from withholding Egypt had dated back to P.L. 113-76, the Consolidated Appropriations Act, 2014 (passed January 2014) and had been inserted in annual SFOPs legislation since then to allow for greater flexibility in providing FMF to Egypt.

**Table 2. Bilateral Aid to Egypt**

In millions of current dollars

Account	FY2018 actual	FY2019 actual	FY2020 actual	FY2021 actual	FY2022 estimate	FY2023 request
<b>ESF</b>	106.87	112.50	125.00	130.05	125.00	125.00
<b>GH</b>	-	-	-	-	-	6.00
<b>FMF</b>	1,300.00	1,300.00	1,170.00*	1,300.00	1,300.00	1,300.00
<b>IMET</b>	1.80	1.80	0.00	1.80	1.80	1.80
<b>INCLE</b>	2.00	2.00	2.00	0.35	0.00	-
<b>NADR</b>	3.00	3.00	3.50	3.00	3.50	3.50
<b>Total</b>	<b>1,413.67</b>	<b>1,419.30</b>	<b>1,300.50</b>	<b>1,435.20</b>	<b>1,430.30</b>	<b>1,436.30</b>

**Sources:** Department of State, Foreign Operations and Related Programs Congressional Budget Justifications (FY2019-FY2023) and CRS calculations.

**Notes:** Economic Support Fund (ESF), Global Health (GH), Foreign Military Financing (FMF), International Military Education and Training (IMET), International Narcotics Control and Law Enforcement (INCLE), and Nonproliferation, Anti-Terrorism, Demining and Related Programs (NADR). \*The Biden Administration reprogrammed \$130 million in FY2020 FMF appropriated for Egypt due to human rights concerns.

#### Recent Arms Sales and Resolutions of Disapproval S.J.Res. 35

Members of Congress have at times scrutinized the sale and transfer of U.S. weapons to Egypt. The Arms Export Control Act (AECA) as amended requires that, for sales over a certain valuation, the administration must provide formal notification to Congress 30 calendar days before taking steps to conclude the sale, during which time Congress may adopt a joint resolution of disapproval, which, if signed by the President, will prevent the sale from going forward.<sup>134</sup>

In the 117<sup>th</sup> Congress, Senator Rand Paul has condemned various Egyptian human rights abuses and has sponsored multiple resolutions disapproving of various proposed arms sales to Egypt.<sup>135</sup> Senator Paul asserted that “The United States cannot proudly affirm human rights to be at the center of our foreign policy, while it arms a regime at war with its own people.”<sup>136</sup> On March 10, 2022, the Senate rejected a motion to discharge from the Senate Foreign Relations Committee by a vote of 19-80 with one not voting.<sup>137</sup> Voting on other Senator Paul-sponsored resolutions of disapproval awaits Senate floor action.

<sup>134</sup> For more information on this process and historical examples thereof, see CRS Report RL31675, *Arms Sales: Congressional Review Process*, by Paul K. Kerr.

<sup>135</sup> These include: S.J.Res. 35, S.J.Res. 36, S.J.Res. 48, S.J.Res. 50, S.J.Res. 51, and S.J.Res. 52.

<sup>136</sup> “Senators Turn Back Rand Paul’s Bid to Halt Arms Sale to Egypt,” *Congressional Quarterly*, March 11, 2022.

<sup>137</sup> See Roll Call Vote Number 73, 117<sup>th</sup> Congress at [https://www.senate.gov/legislative/LIS/roll\\_call\\_votes/vote1172/vote\\_117\\_2\\_00073.htm](https://www.senate.gov/legislative/LIS/roll_call_votes/vote1172/vote_117_2_00073.htm).



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

### Overview

Between 1946 and 2019, the United States provided Egypt with \$81.4 billion in bilateral foreign aid (calculated in historical dollars—not adjusted for inflation).<sup>138</sup> 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 that it would “endeavor to take into account and will endeavor to be responsive to military and economic assistance requirements of Israel.” In his letter to Egypt, then 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.<sup>139</sup>

All U.S. foreign aid to Egypt (or any country) 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 support 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, but not with Egypt.<sup>140</sup>

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

<sup>138</sup> U.S. Overseas Loans and Grants, Obligations and Loan Authorizations, July 1, 1945-September 30, 2019.

<sup>139</sup> 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.

<sup>140</sup> In July 2007, the George W. Bush Administration 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. No such bilateral MOU on U.S. military aid to Egypt has been reached by the Bush, Obama, Trump, or Biden Administrations with the Egyptian government.



International Military Education and Training (IMET).<sup>141</sup> 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.

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<sup>141</sup> 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.

### 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.<sup>142</sup> 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 (GAO), “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.”<sup>143</sup> The vast majority of what Egypt purchases from the United States is conducted through the FMS program funded by FMF. However, U.S. officials have been encouraging Egypt to use national funds for U.S. military equipment purchases.<sup>144</sup>

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, listed below.

- **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.<sup>145</sup> Interest accrued from the rapid

<sup>142</sup> 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).

<sup>143</sup> United States General Accounting Office (now the U.S. Government Accountability Office), *Military Sales to Israel and Egypt: DOD Needs Stronger Controls over U.S.-Financed Procurements*, July 1993.

<sup>144</sup> During a 2021 hearing on security assistance, Dana Stroul, the Deputy Assistant Secretary of Defense for the Middle East, remarked, “In terms of the FMF, it remains an important tool for us to work with Egypt in making sure that they have U.S.-origin defense articles oriented towards what we assess to be shared security threats, whether it’s counterterrorism, maritime security, border security. And I would note here that Egypt is interested in continuing this relationship with us. They recently agreed to upgrade their Apache helicopter fleet by using blended financing, not just U.S. security assistance but also Egyptian national funds.” See Senate Foreign Relations Committee, Senate Foreign Relations Subcommittee on Near East, South Asia, Central Asia and Counterterrorism Hearing on Middle East Security Assistance, August 10, 2021.

<sup>145</sup> 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

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 disbursement. However, Congress has permitted Egypt to continue to earn interest on FMF funds already deposited in the Federal Reserve Bank of New York.

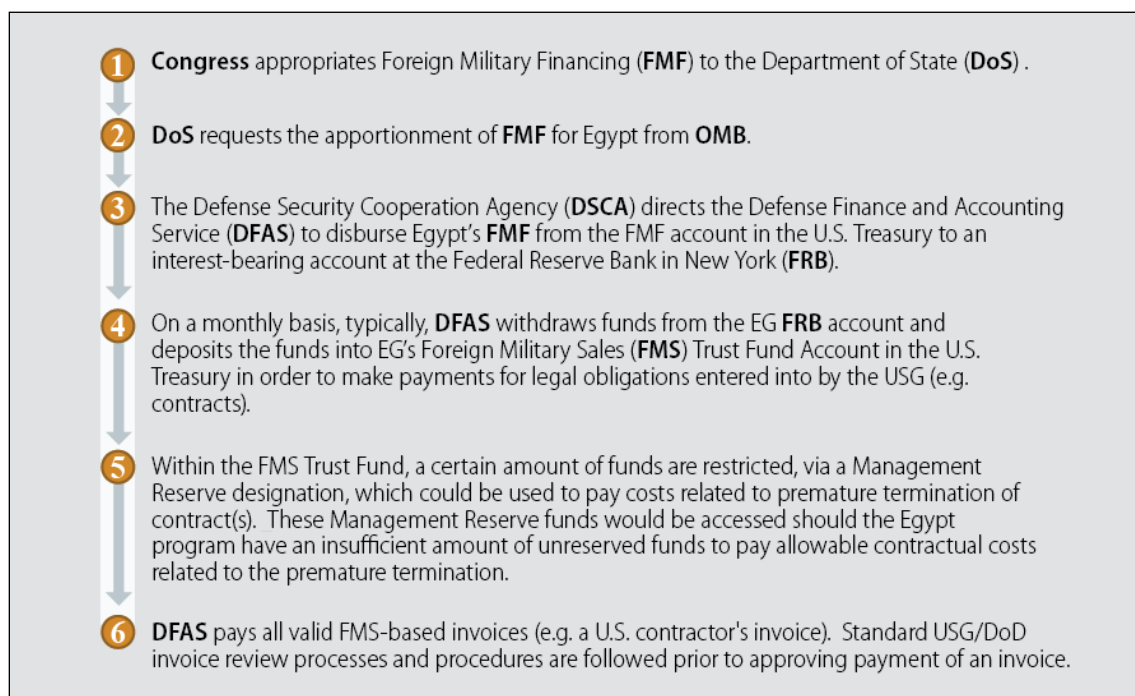
- **The Excess Defense Articles (EDA) program** provides one means by which the United States can advance foreign policy objectives—assisting friendly and allied nations through provision of equipment in excess of the requirements of its own defense forces. The Defense Security Cooperation Agency (DSCA) 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.

### **Egypt: Aid Conditionality and Human Rights**

Historically, Congress had placed certain conditions on economic aid to Egypt. After Egypt’s 2011 uprising and initial change of government, lawmakers have conditioned, and in some cases withheld, U.S. military aid to Egypt on executive branch certifications to the Committees on Appropriations that the Egyptian government is taking steps toward democratic governance and supporting human rights.

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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.

In response to political changes in Egypt from 2011 through 2016, the Obama Administration and Congress altered U.S. foreign aid to Egypt, and strains increased in U.S.-Egyptian relations. In FY2012, Congress enacted new restrictions on aid to Egypt that have carried forward to today. The FY2012 Consolidated Appropriations Act (Section 7041 of Division I, P.L. 112-74) specified that no funds could be made available to Egypt until the Secretary of State certified that Egypt was meeting its obligations under the 1979 Egypt-Israel Peace Treaty (due to concerns that a future democratically elected Egyptian government might abrogate the treaty).

It further specified that no military funds could be provided until the Administration certified that the government of Egypt was supporting a transition to civilian rule, including by holding free and fair elections and by implementing policies to protect freedom of expression, association, and religion, and due process of law. It permitted the Secretary of State to waive these requirements by reporting to Congress with a “detailed justification” that doing so was “in the national security interest of the United States.”

On July 3, 2013, the Egyptian military suspended the constitution and ousted former President Mohamed Morsi. Subsequently, the Obama Administration took several steps to express U.S. displeasure with Morsi’s ouster. In 2013, President Obama announced a comprehensive review of U.S. foreign assistance policy toward Egypt, canceled a joint U.S.-Egypt military exercise (Operation Bright Star<sup>146</sup>), suspended the deliveries of certain military items to Egypt (such as F-

<sup>146</sup> Since 1980, shortly after the signing of the Israeli-Egyptian peace treaty, the United States and Egypt have conducted large-scale joint military exercises known as “Bright Star.” In 1980, both countries conducted annual single service bilateral ground maneuver events. However, starting in the mid-1980s, Bright Star became a biennial multinational military training exercise. For the first 25 years of its existence, Bright Star was one of the largest coalition military exercises conducted by CENTCOM. It included the ground, naval, and air forces of both the United States and Egypt, along with troops from France, the United Kingdom, Germany, Netherlands, Italy, Spain, Greece,

16s, along with Apache helicopters, Harpoon missiles, and M1A1 tanks) pending progress toward democracy, and cancelled planned cash transfers of economic aid.<sup>147</sup> Ultimately, the Obama Administration accepted the Egyptian military's overthrow of a democratically elected president as a *fait accompli* and attempted to redefine certain components of the U.S.-Egyptian relationship.<sup>148</sup>

In FY2014, Congress further conditioned the obligation aid for Egypt by applying certification requirements to distinct tranches of aid; for example, the Secretary of State was required to certify to the Committees on Appropriations prior to obligation of one tranche that Egypt had held a constitutional referendum and was taking steps to support a democratic transition. Prior to obligation of a second tranche, Congress required certification that Egypt had held parliamentary and presidential elections, and had a new elected government that was taking steps to govern democratically.<sup>149</sup>

By the spring of 2015, as terrorist attacks against Egypt continued amid the global rise of the Islamic State, some lawmakers called on the Administration to end its weapons export suspension.<sup>150</sup> The Obama Administration responded with a change in U.S. policy. On March 31, 2015, the White House announced it would allow the deliveries of select weapons systems to Egypt that had been on hold since October 2013, and pledged to continue seeking \$1.3 billion in annual military aid from Congress.

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Saudi Arabia, Jordan, the UAE, Turkey, Pakistan, and Kuwait. During the 1999/2000 event, 11 nations contributed over 70,000 troops to the exercise. At times, regional conflict or tensions in the U.S.-Egyptian relationship have led to the cancellation of Bright Star. Due to the wars in Iraq, Bright Star was cancelled in 1991 and 2003. Due to political unrest in Egypt, the Egyptian armed forces cancelled Bright Star in 2011. In 2013, President Obama suspended U.S. participation in Bright Star due to U.S. concerns over the military's ousting of Egypt's civilian-led government. Thus, Bright Star did not take place from 2010 to 2016. It resumed in September 2017, when an estimated 200 U.S. soldiers participated in the exercise at Mohamed Nagueib Military Base in Egypt, where U.S. and Egyptian forces conducted battle simulations involving U.S.-origin major defense equipment, such as Egyptian F-16s and M1A1 Egyptian tanks. In August 2018, approximately 800 U.S. troops participated in Operation Bright Star 18. That event featured Egyptian special operations forces conducting counterterrorism and irregular warfare training operations, working in close collaboration with US special operators. In 2020, the United States and Egypt cancelled Bright Star due to the COVID-19 pandemic.

<sup>147</sup> U.S. State Department, "U.S. Assistance to Egypt," Press Statement, October 9, 2013.

<sup>148</sup> President Obama said, "Going forward, the United States will maintain a constructive relationship with the Interim Government that promotes core interests like the Camp David Accords and counterterrorism. We'll continue support in areas like education that directly benefit the Egyptian people. But we have not proceeded with the delivery of certain military systems, and our support will depend upon Egypt's progress in pursuing a more democratic path." U.S. President (Obama), "Remarks to the United Nations General Assembly in New York City," Daily Compilation of Presidential Documents, 2013 DCPD-201300655, September 24, 2013, pp. 6-7.

<sup>149</sup> Congress did not provide a waiver for these conditions, but took steps to allow for the continuation of some aid under some circumstances. Congress provided that if the certifications could not be made, then FMF obligations were to "be made available at the minimum rate necessary to continue existing contracts ... except that defense articles and services from such contracts" were not to be delivered until the certification requirements were met. Congress applied parallel requirements on any use of prior-year FMF and International Military Education and Training (IMET) funds that remained available. Congress exempted funds that were to be used for counterterrorism, border security, and nonproliferation programs in Egypt, and for development activities in the Sinai. Congress applied a similar tranche and minimum rate necessary framework in FY2015, requiring certification of different criteria, and providing a waiver.

<sup>150</sup> In February 2015, House State and Foreign Operations Appropriations Subcommittee Chairwoman Kay Granger wrote to President Obama stating that "they [the Egyptians] need these planes and other weapons immediately to continue the fight against ISIL and other terrorists threatening Egypt's security, but your Administration has refused to use the authority Congress provided you in law to provide Egypt these weapons."

However, the White House simultaneously announced that future military assistance to Egypt would be largely reformulated by ending cash flow financing.<sup>151</sup> Section 23 of the Arms Export Control Act (AECA, 22 U.S.C. §2763) authorizes the President to finance the “procurement of defense articles, defense services, and design and construction services by friendly foreign countries and international organizations, on such terms and conditions as he may determine consistent with the requirements of this section.” Successive Administrations have used this authority to permit Israel (and, until 2018, Egypt) to set aside almost all FMF funds for current year payments only, rather than set aside the amount needed to meet the full cost of multiyear purchases.

From 2017 through 2020, some bilateral tensions diminished as President Trump sought to improve ties with President Sisi. President Trump continued to request that Congress appropriate \$1.3 billion in military aid to Egypt, but did not restore the Egyptian military’s ability to benefit from Cash Flow Financing. Moreover, as previously mentioned, President Trump reduced the FY2017 FMF obligation to Egypt by \$65.7 million as a result of Egypt’s relationship with North Korea and prosecution of U.S. and Egyptian nongovernmental organization (NGO) workers.

## Economic Aid

### Overview

From the early 1980s until the late 1990s, U.S. economic aid to Egypt helped modernize the nation’s energy, telecommunications, and waste water infrastructure. Beginning in the mid to late 1990s, as Egypt moved from being an impoverished country to a lower-middle-income economy,<sup>152</sup> the United States and Egypt began to rethink the assistance relationship, emphasizing “trade not aid.”<sup>153</sup> 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.<sup>154</sup> Congress also placed conditions on economic assistance in order to encourage Egypt to modernize its economy and political system.<sup>155</sup> 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

<sup>151</sup> For more information, see CRS Report R44060, *Ending Cash Flow Financing to Egypt: Issues for Congress*, by Jeremy M. Sharp (out of print but available to congressional requesters from the author).

<sup>152</sup> See World Bank historic data at <https://datahelpdesk.worldbank.org/knowledgebase/articles/906519-world-bank-country-and-lending-groups>

<sup>153</sup> Ahmed Galal, Robert Z. Lawrence (editors), *Building Bridges: An Egypt-U.S. Free Trade Agreement*, Brookings Institution Press, 1998.

<sup>154</sup> 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.

<sup>155</sup> From the late 1990s through FY2005, Congress specified that economic aid (ESF cash transfer) would be provided “with the understanding that Egypt will undertake significant economic reforms” beyond those previously undertaken. Beginning in the FY2006 appropriations act (P.L. 109-102), Congress changed the phrasing of this condition to include “significant economic *and political* reforms” (emphasis added). Beginning in FY2008 and thereafter through FY2010, Congress changed the condition phrasing to “significant economic and *democratic* reforms.” For FY2010, Congress also allocated “up to” \$20 million for democracy, human rights and governance programs, and “not less than” \$35 million for education programs. See Division F, Title III, *Economic Support Fund*, P.L. 111-117.



Hosni Mubarak suffered<sup>156</sup> over the latter's reaction to the Administration's democracy agenda in the Arab world.<sup>157</sup>

During the Obama Administration, the President and Congress found common support for the use of enterprise funds, which are U.S. government-funded entities whose purpose is to promote the development and strengthening of a private sector in a foreign country by directly investing in its local firms. In May 2011, President Obama laid out his Administration's initial response to Middle East uprisings by remarking that U.S. officials were "working with Congress to create enterprise funds to invest in Tunisia and Egypt. And these will be modeled on funds that supported the transitions in Eastern Europe after the fall of the Berlin Wall."<sup>158</sup> In December 2011, Congress drew on a late Cold War precedent to authorize the establishment of enterprise funds in Egypt in the FY2012 Consolidated Appropriations Act (Section 7041 of Division I, P.L. 112-74)

The Egyptian-American Enterprise Fund (EAEF) was established by grant agreement with USAID on March 23, 2013. Since its inception, the EAEF has received \$300 million in ESF funds. After eight years in operation, it generally has been considered a modest success in boosting Egypt's private sector, particularly in the financial and technology sectors. According to the EAEF's most recent impact report, the funds has invested \$250 million of the original \$300 million authorized by the U.S. Congress; at the end of 2021, the market value of the EAEF's portfolio was estimated to be \$600 million.<sup>159</sup>

During the Obama Administration, the Egyptian military pushed back against U.S. support for a competitive, transparent electoral process.<sup>160</sup> After reasserting power in 2013, the military moved to arrest American employees (as well as Egyptian and other foreign nationals) of U.S.-based and foreign democracy promotion organizations.<sup>161</sup>

In the final years of the Obama Administration, wariness of U.S. democracy promotion assistance led the Egyptian government to obstruct many U.S.-funded economic assistance programs.<sup>162</sup> According to the 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.<sup>163</sup> These growing unobligated balances created pressure on

<sup>156</sup> See Helene Cooper, "With Egypt, Diplomatic Words Often Fail," *New York Times*, January 29, 2011.

<sup>157</sup> The George W. Bush Administration requested that Congress cut ESF aid by half in FY2009 to \$200 million. Congress appropriated the President's request.

<sup>158</sup> NARA, Office of the Federal Register, Public Papers of the Presidents of the United States: Barack H. Obama, 2011, Book 1 (Washington, DC: GPO, 2014), Remarks at the Department of State, May 19, 2011, pp. 552-560.

<sup>159</sup> Egyptian-American Enterprise Fund, Impact Report 2021, May 2022.

<sup>160</sup> Prior to 2011, U.S. funding for democracy promotion activities and good governance had been a source of acrimony between the United States and Egypt. Using the appropriations process, Congress has mandated that "democracy and governance activities shall not be subject to the prior approval by the government of any foreign country." Originally referred to as the Brownback amendment, this legislative language began in reference to Egypt (Division D, Title II, *Economic Support Fund*, P.L. 108-447), and was expanded in FY2008 to include "any foreign country." (Division J, Sec. 634(o), P.L. 110-161).

<sup>161</sup> From FY2014 to FY2019, Congress mandated in annual appropriations legislation that the Secretary of State shall withhold an amount of ESF to Egypt determined 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 that Egypt has dismissed the convictions issued by the Cairo Criminal Court on June 4, 2013.

<sup>162</sup> 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.

<sup>163</sup> Government Accountability Office, EGYPT: U.S. Government Should Examine Options for Using Unobligated

the Obama Administration to reobligate ESF funds for other purposes. 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. The Administration stated that its actions were due to “continued government of Egypt process delays that have impeded the effective implementation of several programs.”<sup>164</sup> In 2017, the Trump Administration also reprogrammed FY2016 ESF for Egypt.

During the Biden Administration, U.S. economic assistance has averaged \$125 million a year in ESF. From 2017 to present, USAID has expanded its role in assisting the Egyptian government develop the Sinai Peninsula. In north Sinai, the United States has funded the Al Arish desalination facility that provides 126,000 residents with potable water.<sup>165</sup> USAID also has delivered commuter buses to isolated communities in central Sinai to improve access to workplaces, commerce, education, and government services.<sup>166</sup>

**Table A-1. U.S. Foreign Assistance to Egypt: 1946-2020**

(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

Funds and Evaluating Security Assistance Programs, Published: February 11, 2015. Publicly Released: March 12, 2015.

<sup>164</sup> “US Shifts Egypt Aid to Other Countries,” *Al Monitor*, October 16, 2016.

<sup>165</sup> U.S. State Department, U.S. Embassy Egypt, U.S. Ambassador Visits North Sinai, June 24, 2021.

<sup>166</sup> U.S. State Department, U.S. Embassy Egypt, United States Delivers 20 Brand New Buses to North Sinai Governorate, August 16, 2021.



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	\$1,046,193,772	\$2,347,560,772
2003	\$1,304,073,715	\$646,856,655	\$1,950,930,370
2004	\$1,318,119,661	\$720,241,709	\$2,038,361,370
2005	\$1,294,700,384	\$495,849,544	\$1,790,549,928
2006	\$1,301,512,728	\$351,242,871	\$1,652,755,599
2007	\$1,305,235,109	\$737,348,773	\$2,042,583,882

Year	Military	Economic	Annual Total
2008	\$1,294,902,533	\$314,498,954	\$1,609,401,487
2009	\$1,301,332,000	\$688,533,322	\$1,989,865,322
2010	\$1,301,900,000	\$300,943,891	\$1,602,843,891
2011	\$1,298,779,449	\$242,205,488	\$1,540,984,937
2012	\$1,302,233,562	\$90,260,730	\$1,392,494,292
2013	\$1,239,659,511	\$330,610,024	\$1,570,269,534
2014	\$274,031	\$178,748,169	\$179,022,200
2015	\$1,345,091,943	\$222,864,445	\$1,567,956,387
2016	\$1,126,658,738	\$133,150,380	\$1,259,809,118
2017	\$201,103,590	\$173,179,863	\$374,283,453
2018	\$1,002,517,764	\$233,703,233	\$1,236,220,998
2019	\$1,05,992,890	\$161,968,390	\$1,419,961,281
2020	\$1,301,497,657	\$126,511,470	\$1,428,009,127
<b>Totals</b>	<b>\$49,661,424,152</b>	<b>\$33,189,150,268</b>	<b>\$82,850,574,420</b>

**Sources:** U.S. Overseas Loans and Grants, Obligations and Loan Authorizations, July 1, 1945-September 30, 2019; and ForeignAssistance.gov, last updated July 26, 2021 (the year FY2020 is partially reported).

**Notes:** This chart does not account for the repurposing of assistance funds which had been previously obligated for Egypt. Total numbers may be slightly higher than official sources due to a time delay in government agency reporting of obligated funds. It is unclear why FY2014 military assistance funds are significantly lower than previous years.

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