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Congressional Testimony

**EGYPT: TRENDS IN POLITICS,
ECONOMICS, AND HUMAN RIGHTS**

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Thank you Chairman Deutch and Ranking Member Wilson for the honor of testifying before the Subcommittee. I share the concerns of other witnesses at this hearing about the abysmal human rights situation in Egypt, but my testimony will focus on the political and economic situation. I have three points:

- The Egyptian people are facing intense challenges due to rapid population growth, deep and increasing poverty, widespread youth unemployment, a looming Nile water shortage, and threats to food security due to climate change.
- Under President Abdel Fattah al-Sisi, the military dominates governance as never before and has become increasingly rapacious. His regime is helping military companies to crowd out the private sector in the economy as well as diverting scarce government resources away from critical needs of the Egyptian people and towards arms purchases and vanity megaprojects.
- The United States is complicit in this dangerous situation, wittingly or not. Congress should lead the reorientation of assistance policies towards Egypt as well as urge administration engagement with the International Monetary Fund (IMF) in order to promote more constructive outcomes.

All me to elaborate a bit more on each of these points.

Egypt's Critical Challenges

Egypt is among the most [vulnerable](#) countries in the world to climate change as well as shocks such as COVID-19. It has a large and rapidly growing population of approximately 102 million, but there is no serious population control program. Only approximately three percent of its land is [arable](#), and that is now being diminished by the effects of climate change including higher temperatures, more frequent droughts, and soil salinity from the rising Mediterranean Sea. Egypt receives very little rainfall and has depended for millennia on the plentiful flow of the Nile River from the south, but now it is facing increased competition from Ethiopia and Sudan for Nile water. The government has made some investments in desalination and wastewater treatment, but much water is wasted in [outdated irrigation and evaporation](#). Egyptians desperately need a revolution in water use and agriculture, as well as a comprehensive program to curb population growth, to avoid food insecurity and other disasters in the coming years.

While President Sisi has received the IMF stamp of approval for cutting government expenditures and generating a modest rise in GDP, at the same time his people have grown increasingly poor. In 2018 the government statistical agency admitted that [32.5 percent](#) of Egyptians were living on [less than \\$1.50](#) per person per day, 5 percent more of the population compared to 2015. The government's cash transfer programs—implemented after many years of urging by the IMF, World Bank, and donors including the United States—reach no more than [10 percent](#) of the population. The World Bank estimated youth unemployment in 2019 to be [above 30 percent](#). These indicators will have worsened due to the pandemic-induced economic recession, which has hit the tourism sector, as well as natural gas prices particularly hard.

Nature and Priorities of the Sisi Regime

Since Sisi came to power via a military coup in 2013 and became president the following year, military officers and military concerns have increasingly dominated governance. Once-proud civilian institutions such as the judiciary, legislature, central auditing authority, and diplomatic corps have been stripped of independence. A recent law mandating the [appointment of a military advisor](#) to each provincial governor enshrined in law what had already been happening in practice; a military officer with veto power is placed alongside high-ranking civilian officials such as ministers and governors. Elections still take place, but opposition candidates are excluded, processes and results are opaque, and few voters trouble to show up except for those desperate for a handout of food. Meanwhile, independent political parties, youth movements, media, and civil society organizations have been crushed, with the few courageous survivors being continually hounded.

In the economy, Sisi has [expanded the military's involvement](#) significantly through carefully targeted changes in laws and procedures—as if it were not already enough that military companies benefit from conscript labor, tax-free status, and free access to vast tracts of government land. The military now controls much of government contracting and has moved aggressively into profitable sectors previously dominated by private companies including cement, steel, and media. This very week, privately owned cement companies in Egypt are [collapsing](#) after a military company began [flooding](#) the market with cement.

As to the policy and spending priorities of this military-dominated regime, are they related to the life-and-death challenges facing the Egyptian people: population, water, food, jobs? Not really. A quick look at how Sisi has expended resources over the past five years shows that his attention has been fixed on megaprojects and arms purchases that build his stature and enrich his fellow officers.

While Egyptians sank into ever-greater poverty over the past five years, Sisi has poured resources into vanity megaprojects such as [building](#) a new administrative capital in the desert 30 miles east of Cairo at an estimated cost of [\\$58 billion](#). Not only did Egypt not need a new capital, but the site makes it inaccessible to most citizens as well as extremely problematic from a water consumption point of view. The city is being built by a military company with significant [Chinese investment](#). As of spring 2019, the Egyptian general in charge of the project said that some [\\$9 billion](#) had already been spent on the city's infrastructure.

Sisi has also expended much over the last five years building Egypt's arsenal. Egypt was the third largest [importer of weapons](#) in the world from 2015-2019, more than doubling its percentage of imports compared to the previous five year period. By my informal calculation, the Egyptian military has spent at least \$9 billion during that time on three large arms deals with [France](#) and Russia, purchasing aircraft including the [Russian SU-35](#) as well as [warships](#). Egypt also received Apache attack helicopters and other advanced weaponry from the United States during the same period. While Egypt has legitimate security concerns—a long border with Libya as well as a terrorist insurgency in the Sinai—it is not at war. These acquisitions seem to be more about building the prestige and patronage networks of the Egyptian military as well as diversifying Sisi's international alliances than about responding to actual threats.

While spending lavishly on megaprojects and weapons, Egypt under Sisi has also borrowed extensively at home and abroad. From the IMF alone, Egypt has [borrowed](#) \$20 billion since 2016, all

of which will need to be [repaid](#) in tranches beginning in 2021. [Gulf donors](#) who poured billions into Sisi's coffers after the coup are less willing or able to do so now as they face their own financial troubles, and so Egypt is almost certain to go back to the IMF for more funding next year to meet its endless need for external financing. Yet the IMF so far has been not been willing to take on the issue of the military encroachment on the private sector or Sisi's spending on megaprojects and weapons, much of which takes place from nontransparent military accounts.

The combination of a rapidly growing, youthful Egyptian population whose needs are constantly frustrated with a small military elite that enriches itself while treating civilian concerns with contempt is combustible. There have been several small outbursts of anti-Sisi popular protests, as well as signs of dissent within the military. It is a matter of time before there will be a large one.

The Role of the United States

The Congress has consistently appropriated funds over four decades to support the Egyptian military since the peace with Israel in the late 1970s and for many years also invested generously in the country's economic development. What the Congress perhaps did not foresee was how distorted the Egyptian system would eventually become and how the United States would become complicit in a military leadership crushing civilian freedoms and running the country strictly for its own benefit.

It is not the responsibility of the United States to solve the problems of the people of Egypt, but at the same time it is neither appropriate nor desirable for Congress or any administration to give unqualified support to a military government that is failing to address Egyptian' critical needs while oppressing them harshly. Without taking on an enormous burden and without increasing the commitment of American taxpayers' funds, the United States, led by Congress, can do far better in investing in true stability for Egypt.

There are two steps that I recommend the United States take in this regard:

- Reorient U.S. assistance to Egypt away from wasteful, unneeded weapons purchases and towards the critical needs of the Egyptian people. Congress should reduce Foreign Military Financing significantly from the current level of \$1.3 billion and instead support civilian needs, for example, aiding a critical revolution in water usage and agriculture. Congress should continue to authorize funds bolstering human development through higher education.
- Engage with the IMF to support firm conditionality for any further lending to Egypt. Future loans should be conditioned on reforms that roll back military privileges in the economy to allow private companies the competitive conditions needed to grow and generate employment for the ever-expanding labor force. Leaders in Congress should urge administration officials to support such conditions as well as firm [transparency](#) and anti-corruption measures for future IMF loans, as recommended by Egyptian civil society organizations.

Thank you for your attention and I will be pleased to answer any questions.